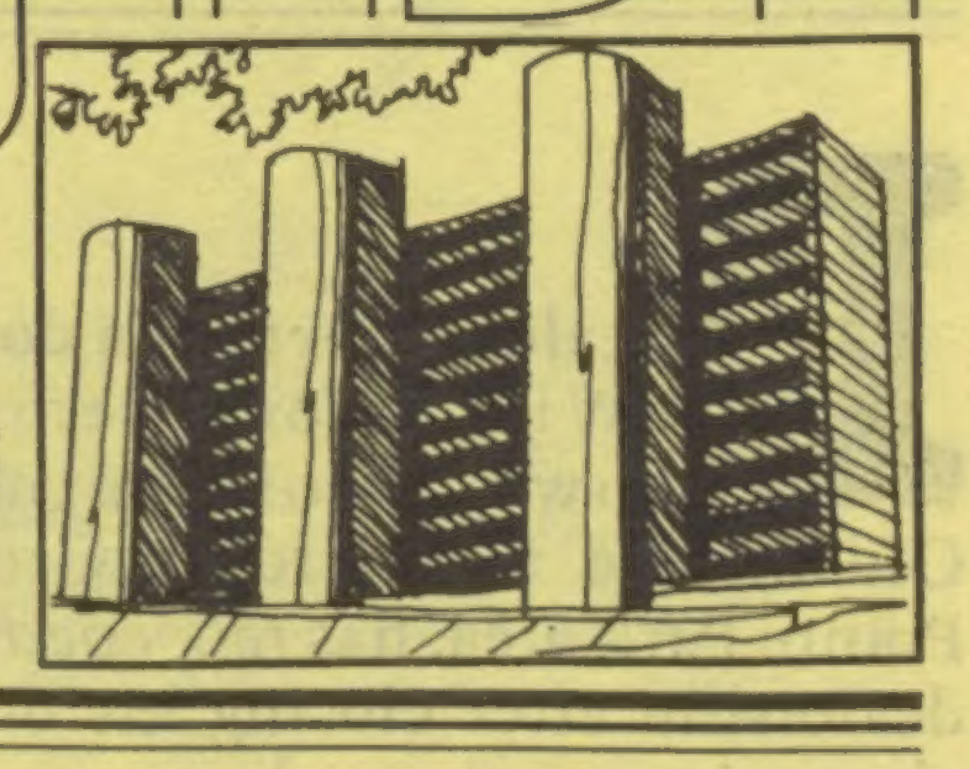
September
1980

AE automotive executive

ished for America's automobile and truck dealers

FINANCE & INSURANCE:
A Closer Look at the Profit Potential

COMMENTARY NADA



The General Motors Agreement

On July 25, 1980, the General Motors Corporation unveiled its new, five-year Sales and Service Agreement for its dealer body. It may represent the greatest single advancement in franchise agreements in the history of franchise agreements—period.

The new agreement, unlike its predecessors, truly is a "fresh start" for all GM dealers, guaranteeing many of the fundamental rights and privileges for dealers, fundamentals which were not addressed in previous agreements. In this respect, the GM agreement tracks in many ways the famous Magna Carta, granted to the nobles of feudal England by King John in 1215.

The parallels between the two documents are several. Both grew out of deep dissatisfaction. Both set out to correct inequity and injustice, and as historic first steps, they succeeded admirably.

The similarity stops here, however. The English charter was drawn unilaterally, secretly, and was handed to the king as an ultimatum. The new GM agreement, to the contrary, was developed bilaterally by NADA and GM, and was accepted in peace and partnership.

General Motors opened the contract to dealer input and accepted the consequence. Substantive improvements proposed by NADA and adopted by GM cover vital dealer concerns in the areas of distribution, warranty, dealership location, successorship, termination, indemnification, product promotion, transportation damage and dispute arbitration. On each point, GM makes its responsibility clear to its dealers.

Unquestionably, the most significant change in the new agreement is the marked improvement in the document's overall tone and character. Gone is the one-sidedness, and also gone is the harsh and punitive language of the previous contracts. Instead, the new agreement is fairer, more objective, and clearly bipartisan.

NADA President George S. Irvin says the agreement "sets a new standard for the industry." GM President E. M. Estes talks about a new era of dealer-factory relations and of "doing business on a handshake."

The two presidents speak of partnership with confidence and hope, based on experience each has gained in the months and years devoted to writing and adopting the new agreement.

NADA decided very early in the process to approach the development of a new agreement in the spirit of cooperation, and to avoid an adversary posture. Also, NADA determined to adopt a professional approach—that is, to research the facts, to obtain dealer agreement on issues and remedies, to report the facts and dealer consensus accurately and objectively to the manufacturer, and to mutually develop solutions agreeable to both parties. This simple approach was effective and successful, thanks in large measure to GM's spirit of willing cooperation.

While the new agreement does not meet all of the needs of GM dealers, it is a great advancement from past documents. While our industry faces unprecedented hard times in the marketplace and the response of our manufacturers has been a source of frustration for us all, a responsible action on the part of General Motors in the drafting of the new Sales and Service Agreement is most refreshing.

This movement by GM certainly is not the end of our goals and efforts, but only the beginning. The journey of a thousand miles begins with a first step, and that step plus many more have been taken. This does not mean that we can lessen our efforts in any way in seeking the achievement which is the ultimate goal for all—a full, fair and objective agreement for all dealers. NADA will pursue that goal and fight for the rights of every dealer in every forum. Æ

Executive Notes

Dealer reopens his doors. Willie Joe Patmon, owner of Patmon Oldsmobile in Detroit's Grosse Pointe Park area, has *reopened* his dealership after closing his doors about six months earlier.

In 1977, Patmon Oldsmobile was ranked the nation's 15th largest black-owned business by *Black Enterprise* magazine. But dismal car sales and record bank interest rates forced the agency to close its doors last January.

Patmon says his dealership's new funding comes from his own personal investments and loans from City National Bank (SBA guaranteed), Inner-City Capital Access Center, and General Motors Assistance Corp.

Grand opening festivities took place in late July.

* * *

Owning more, driving less, and other interesting facts. According to the Newspaper Advertising Bureau, Inc. Americans are changing their habits in ways that should interest new car dealers a great deal. A 1980 study shows that 74 percent of the new-car-buying households surveyed now own two or more cars, a seven percent jump over the survey results of just four years ago.

However, driver responsiveness to the energy crisis apparently has caused a rather pronounced cutback in driving since 1976. In the most recent study, 72 percent of the respondents said they cut their personal consumption of gasoline, compared to 46 percent of the people in the '76 study. The proportion of people who reduced their usage by 10 percent or more nearly doubled in the four-year interim between the studies, rising from 23 percent of the respondents to 40 percent.

Both the 1976 and the 1980 studies defined "recent new car buyers" as those who had purchased a new car within the past three years. However, all 980 participants in the earlier study were men, whereas in the 1980 survey, the 1,003 interviews were evenly divided amony men and women who had driver's licenses and who had actively participated in the decisions to select and buy the car.

The '80 report notes that among new-car-buying households *with two drivers*, more than three-quarters own two or more cars, and in households with three or more drivers, the figure rises to 94 percent.

But of those men in the study who live in one-person households, 30 percent reported they own two or more cars too. Only three percent of the women said that.

The *expectations* of the people in the survey are particularly interesting. Thirty-seven percent of the men and 35 percent of the women who expect to buy sub-compacts, for instance, are anticipating that the cost will exceed $7,000. And they are thinking of offsetting these higher costs by keeping their cars for a longer time.

On the average, the respondents estimated they would keep their next cars 51 months, three months longer than the guesstimate of those in the '76 survey. Those who plan to buy sub-compacts said they intend to hold on to them for an average of 55 months, and the intermediate and full-size model buyers said 46.

According to the '80 survey, more men than women (74 percent to 69 percent), and more older than younger drivers (76 percent of those 50 and over and 69 percent under 30) have cut back their driving.

The most utilized means of cutting back seem to be fewer pleasure trips; better car maintenance; fewer shopping trips; reducing speed; doubling up in one car; smaller car for everyday use; and shopping for gasoline prices. Other steps mentioned by the survey participants include car pooling (listed by 28 percent) and public transportation (14 percent).

It seems the '80 survey participants' estimates of the *relative costs of buying and keeping* a car were fairly consistent with those of the '76 group, but they were not so consistent, apparently, with the facts. In '76, the survey answers indicated a belief that the purchase price represented 60 percent of the cost of owning a car, whereas the government estimated it at only 27 percent. In '80, the answers put the cost of buying a car at 56 percent of the total cost, when in fact, AAA and other statistics show that the cost to run a car continues to be greater than the cost to buy it.

As in '76, most of the '80 study respondents also overestimated the cost of gas and oil as a proportion of all maintenance costs.

A large percentage of the new car buyers (46 percent) said they obtain information from dealers when they are getting ready to buy an automobile. Also mentioned were: friends, relatives (28 percent) and mechanics (3 percent). The respondents visited an average of 3.3 dealers before buying, and nearly one out of four (23 percent) bought after seeing only one dealer.

Interestingly, the youngest buyers (under 30) visited more dealers (3.9) that the buyers who wer 50 years of age and older (2.7).

Overall, three quarters of the buyers reported they read a daily newspaper on the average weekday. Over five days, 87 percent read one or more daily papers an average of 4.4 times. The statistics were slightly higher among the key prospects, those who plan to buy a car within the next year.

* * *

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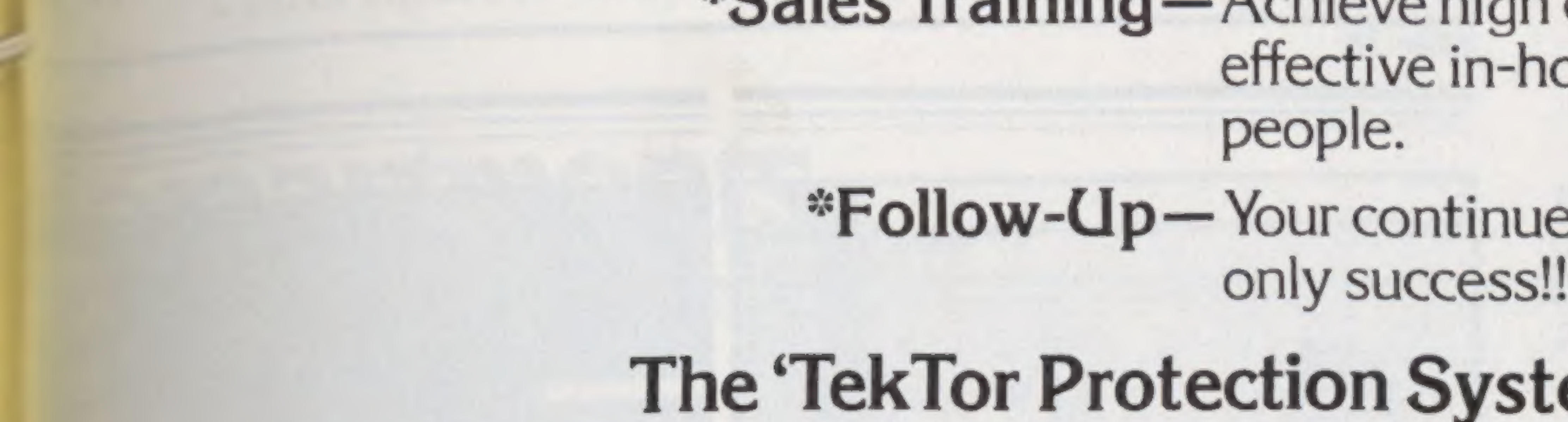

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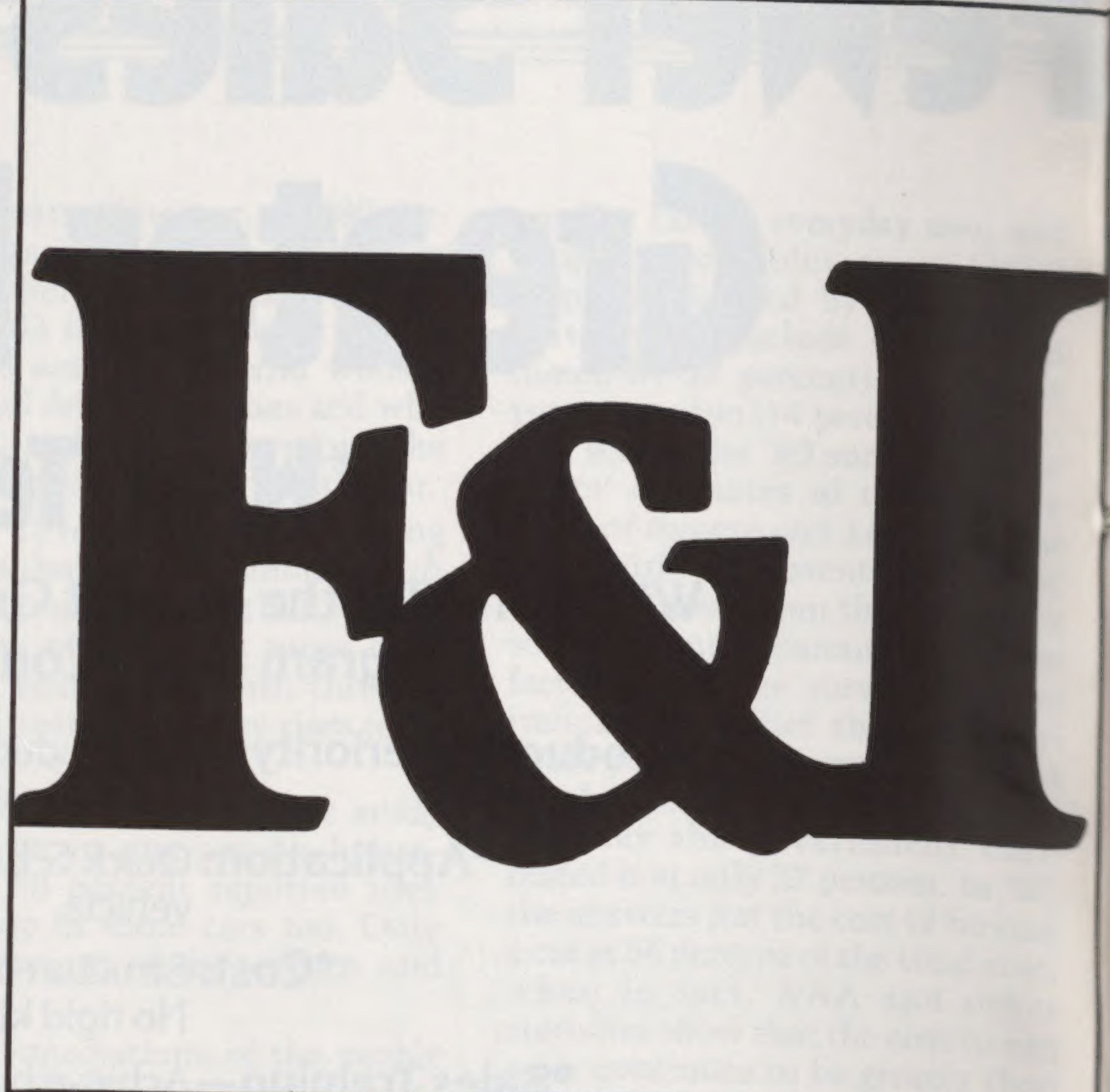

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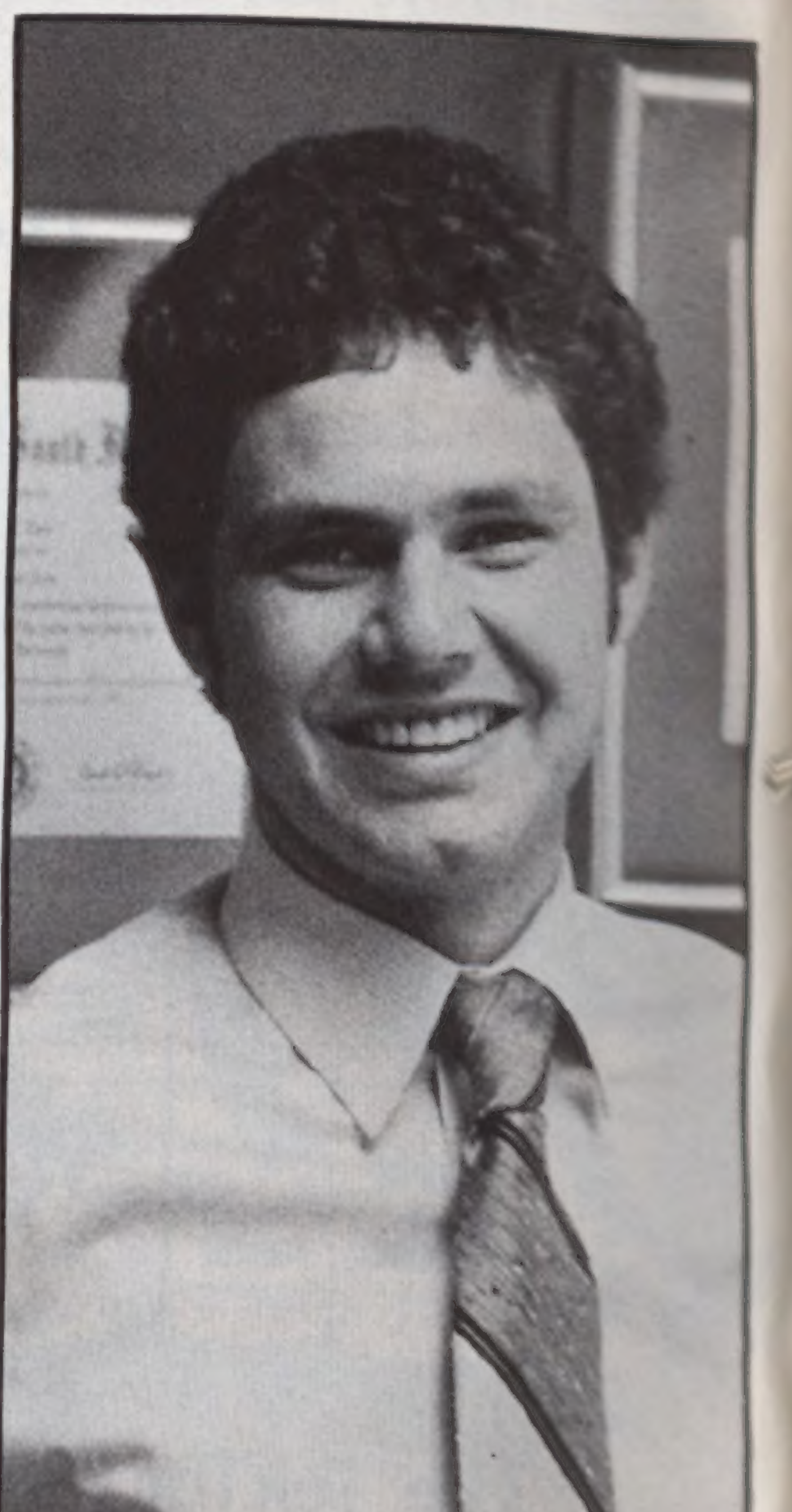

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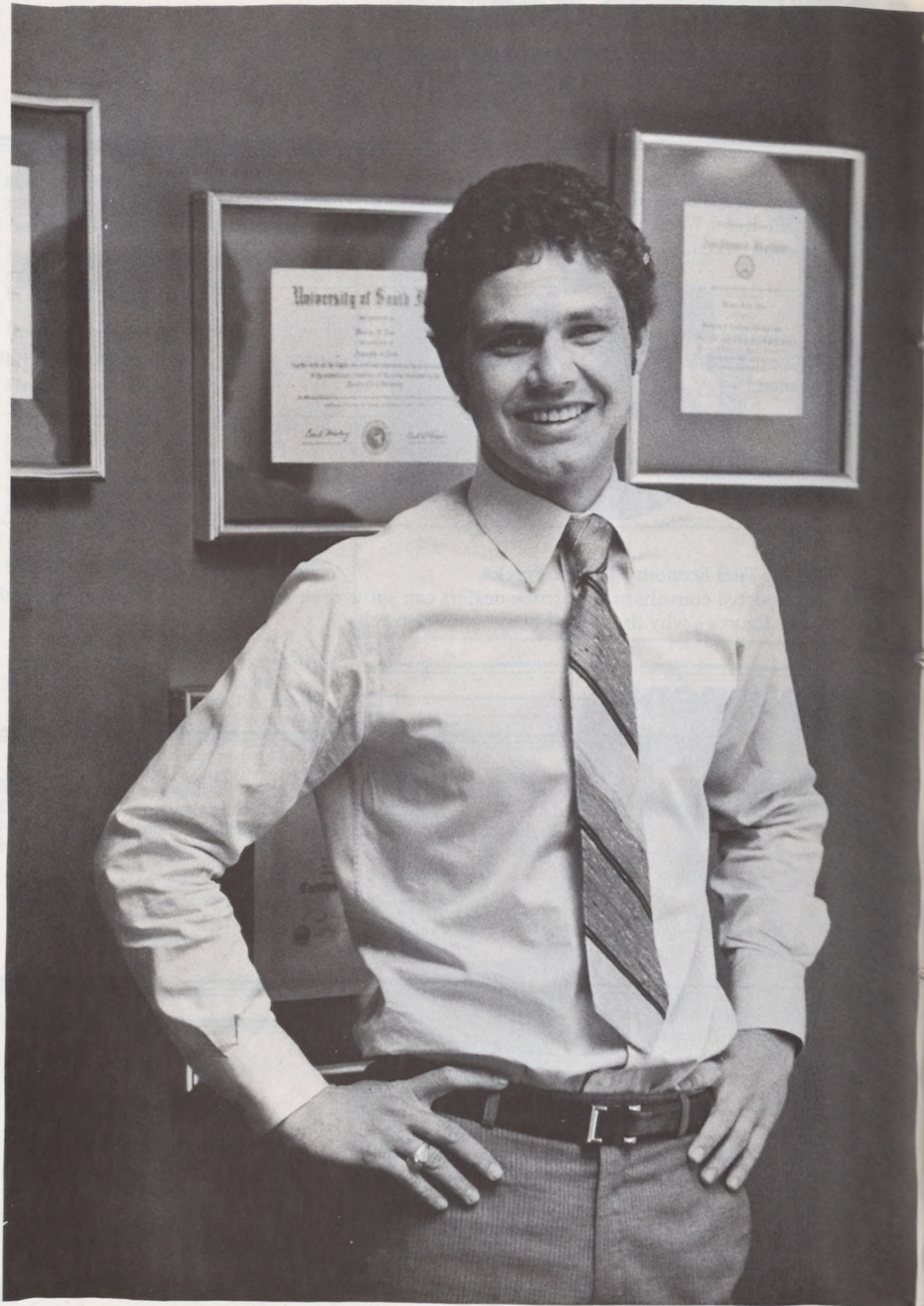
University of South

by Ron Rogers

Young, on his own, slightly unorthodox and # 3 in Volvo sales

In 1955, Nikita Krushchev emerged as the dominant leader in Russia, the Federal epublic of West Germany beame a sovereign state, America's wo largest labor organizations erged, and many of today's auto ealers were just establishing their edgling businesses. The number ree Volvo dealer today, though, asn't paying attention to any of at. He was less than a year old.

Warren Henry Zinn, the president of Warren Henry Motors in orth Miami, Fla., certainly has outh going for him, but he also as better than 13 years experince in the automobile business. e's been a dealer for three years, le owner for almost two, and e's understood what a closing ofce is since he was six.

When Zinn's father decided to ake the move from used car alesman to dealer in 1965, the nior Zinn took on the very first oyota franchise in the state of orida. It was, in those days, a o-it-yourself dealership.

It was an era, however brief, hen people thought the name oyota had something to do with a amera or a watch, and it was a me when 36 cars sold in the ealership in its first year was relity.

Dave Zinn the dealer was also Dave Zinn the service manager, and his son, young as he was, had a lot to do with setting up the parts department. As the now-Volvo dealer remembers, "There was only one model—a four door—I think five colors, and two transmissions. There was no air conditioning available until my dad had the mechanics put together air kits."

"When I used to tell my dad back then," Zinn says, "that I saw a Toyota on the road some given day, he'd say, 'What color?' I'd say, for instance, 'Green,' and he pretty well knew who it was. It was—at the time—a *very* small business."

Over the years, Zinn worked for his father in just about every capacity: the lube man, front end man, parts manager, service manager and service writer positions comprise just a part of his resume. He worked his first auto show when he was 12, and soon after, he became a mall show veteran.

"I was always put in areas," Zinn says, "where, for whatever reason, there was a void. I was last a sales manager at my dad's store and, except for getting involved with the accounting, I just about did it all at one time or another."

Zinn attended the University of South Florida and then, for the training and experience he wanted in accounting and business management, he enrolled in a program at Northwood Institute, in Michigan. He says the courses there have a lot to do with the kind of dealer he is today. "There is no doubt about it," he says, "the place exposes you to a tremendous amount of information and ideas. It totally expanded my thinking on what could be done. Business systems, accounting, management ideas . . . I thought it was a tre-

Whether it's a service problem that crops up or a sales problem or whatever, 25-year-old Zinn is usually involved in its solution. "Involvement," he says, "is the point I think some dealers miss."

mendous school. Some of my teachers were high-ranking officials at some very large and international companies like Dow Chemical, and others were retired auto men, both factory and retail, who had amassed impressive records of achievement during their careers.

"People always ask me," says Zinn, "things like, 'How do you feel with your name on the outside of the building?' Well, in truth, it really doesn't phase me whatsoever. I do like it when I drive down the street and I see my name on the back of a *car.* But otherwise, being in the position I am doesn't overwhelm me or impress me.

"But this is what I've always wanted to do. I've always thought I would be better at this than at anything else I could do in the world. I knew I had potential. I consider myself a salesman, a leader, and a listener, and I think I have the capacity to want to do something about people's problems.

"Sometimes when you look at the dollar amount that you're responsible for, it makes you pause, and maybe that was a little more the case when I was 22. But it's never been something I've given much thought to. I've just always had confidence I could make it. There's never been a second thought in my mind that it was going to be any other way but *up.* I never thought of anything coming down and it never did until last April and May, when the interest rates were so high."

Zinn says he realized what was happening to dealers all across the country, "but all I could think of was it shouldn't be happening to me. You can't control everything, but I felt we *had* to put in more work to try and get things right. Bearing down is usually the answer."

It is hard to imagine anyone working harder than Zinn. He has found old habits hard to break, and he is still, in baseball parlance, a "utility player." Even though his Volvo sales total stands at about 800 and counting, and even though he also sells Mazda, he takes time to fill in on the front lines when he feels he needs to. If one of his service writers doesn't come in, Zinn likely will be found behind the counter. When his service manager goes on vacation, he sits in *his* seat. And when the sales manager is on *his* day off, Zinn shifts again.

Zinn admits, "There's not enough time for anything," but he doesn't spend a lot of time in his office. "I get as much work done as I can at night," he explains, "and at different times in the day. The rest of the time I spend on the sales floor, and walking around the dealership. *I* feel I fill the role of the dealer by involving myself in the *operations* of the dealership. And I think involvement is the point that some dealers miss."

The 25-year-old dealer says he's able to close a good amount of deals and keep customers who have complaints a little happier ". . . because they know, since they see me here all the time, that I'm going to act responsibly toward them. They *might* not know that I'm the dealer, but even then they remember that they see me here and they know that if they have a difficulty or feel they're not being treated properly, they can call me. I'm here, and I'm going to be here—on this corner—for quite some time. And that does give my customers an added amount of confidence.

"At another store, a salesman or a service writer can make a promise and not even be there the next time a customer comes back. As far as I'm concerned, there's no doubt there's a clear difference in the kind of results you can expect from these two contrasting ways of doing things."

Zinn says a situation that just cropped up recently is a good illustration of what he's talking about. One of his customers was slightly disgruntled—a situation Zinn characterizes as a communications problem—so the dealer listened, took his customer to the service department, and with the car on the lift, the old parts on hand and the mechanic and the service advisor present, he explained to the customer the work that was done and why it was

essary.

The situation threatened to ome a runaway negative,'' n says, ''but it got taken care of it was done in the proper man- This business is far from fool- f, so there are always going to problems. But as long as there's eone here to take care of the blems *quickly,* they don't turn monsters. People who try to d or ignore the problems find y just get bigger and bigger.''

The Miami dealer feels that if ere is a single key to his success, that he's wrapped up in the l operation. ''I'm really con- ned about what happens here about what my customers and ployees need,'' he says, ''and I nk that's contagious. It gets re- cted in the attitudes of the 26 ople on my staff. They know ir customer is going to get a fair ake, and it makes them more mfortable. They know they n't have to run away and hide at y particular time. According to hat I hear, the opposite may be ue in some other dealerships, d the dealer is often not even ware of it. It proves to me that *body* runs an auto dealership e the dealer himself.''

As relatively new as Zinn's store he figures an extremely sizable unk of his business is due to the ealership's reputation. That is, ost of his advertising is word- -mouth, something he fosters in concrete way.

''I really don't spend all that ch running advertisements,'' says. ''I like to use T.V. when necessary to use T.V. But I 't have any mapped-out adver- ng plan.

''I spend a good amount of ney in my service department good will. We might decide, for mple, that next month we're ing to give away $2,000 or ,000 to our service customers, d we'll stick to that figure thin $200 or $300 either way.

'Perhaps you have a fella who had a particular color car in the orida sun for two-and-a-half ars and he needs a paint job. ll, let's pay for half of that.

''The way I look at it, there are a of gray areas in the warranties r customers sometimes end up ying for that perhaps were to- ly out of their control. Take, for

instance, a man who took good care of his car, the car's in immaculate condition, he's got 30,000 miles on it and the speedometer breaks down. Now what did he do to deserve that? He's a good customer; he sent me a good bunch of customers. Buy him a speedometer cap; give it to him. We do it quite often."

Zinn says he thinks the charge that fewer than a lot of people are happy with automobile service is just too true. Take the car away from them, he says, and you take their legs away from them.

" 'When's it going to be ready? I can't get here, I can't get there, I can't do this or that.' People still have the attitude that they bought the car and that was a big expense and they don't want to spend any more money on it the rest of the time they have it. 'How come it's here now? *Why* is it here?'

"One of the biggest things I think you have to try to do is keep the customer from having to come back to the dealership. My attitude is, keep your customers on the road. If we have a particular problem we can't handle, I'll have to give the customer a car and let him drive it. Because, as long as he's on the road, able to perform his job or whatever function he has to perform, it's not like you've *amputated* him. I mean, you take away someone's freedom of mobility, you have just destroyed him completely."

Zinn says that if he gets a call from a customer who has broken down on the road, particularly if it's an especially good customer or someone who has just taken delivery, he'll go out with the mechanic to the car if he has the chance.

"I go there to console the customer," he says. "We'll try to fix the car on the spot, and if we can't, we'll give the customer my car for the rest of the day. That is really appreciated by people, and you can't imagine to what degree. If you do something like that just one time, you may have that customer for the rest of your life. People are not used to dealing with the dealer principal in service, parts or sales on a daily basis, and when they can, it pays off for that dealer. That's just one of the things I learned from my father."

Zinn says he feels very indebted to his dad for the experience and

owledge he gained from him, at he makes it very clear the lvo and Mazda stores are his re- onsibilities and his alone. The o began the enterprise as rtners, but the younger Zinn ickly bought his father out with ofits he and the business gener- ed, and from the start, it has been s to make or break.

In the beginning, "making it" as less than a cinch bet. Accord- g to Zinn, Volvo was "in the mps" in the Dade County mar- t when Warren Henry Volvo me on the scene, and the ealership's first year was spent in old building located right in the idst of the ghetto—a really de- essed area.

When mother and father and ployees and relatives moved e dealership's assets to the new cility about a year later, only the rvice and parts area was ready to . But from a trailer, Zinn and his ople sold 40 and 50 cars a onth.

Probably in part because he ows what he's doing, Zinn ap- ars to have no problem handling motivating—or keeping the re- ect of—the people who work for m. Two of his six salesmen are -dealers in their 60s, and their ss likes that. He says he wants ople who have—whether ey're experienced in the busi- ss or not—a strong desire to rk, especially if they don't re- y need to.

Pointing to one of his men, Zinn ys, "Brad's the kind of man o'd like to die behind the desk ting a deal. He lives the auto- bile business. He'd like noth- better than to come here every .

"That's what I want. If someone n't have a load of experience, t he's a mover, I can help him, d mold him more easily, in fact, what I want him to be. What I n't want is someone who's to- ly inflexible. I can't live with at."

The youthful dealer admits that me people in the industry may ve, a couple of years ago, re- ted the fact that he was "too ung," but he says, "Everybody es on everybody for size, and if s done in the right way, there's a utual respect that comes about entually. All I know is, nobody

can tell me I don't have the seasoning, and nobody can tell me I don't know my automobiles."

What Zinn has is a new, but well-oiled and well-coordinated operation. "I have many, many customers," he says, "who own two and three cars, maybe all Volvos and Mazdas. Their relatives and neighbors might have them too, and I'm not going to let any of us forget that. I want to keep this thing going.

"I want to keep that customer coming in for service who I've sold cars to for years, and I want to have him feast his eye on that car on the floor so I can get together with him and put a deal together while his trade-in, a car I've kept in good condition for him, is here.

"If I've got a customer who's had a major repair, I want to steam clean his engine. And if he's spent a lot of money and we're not full of deliveries, we'll have that car washed and waxed. And there's more than one reason for that.

"I might have noticed, for instance, that this customer has a habit of not washing or waxing his car, and I want that car in good condition when I get it here on my used car lot. I don't want the paint to be faded. I don't want to have to paint it after he trades it in."

Zinn says one attitude he's always going to have is, his most popular seller is what he has the most of. And when he does advertise, he moves what he has by talking about *price*.

"When people think of a Volvo," he says, "they think of a very expensive car. And when you tell people they can get into one for what we quote, they're quite surprised. It gets their attention. And it seems like it's a good complement to the other ways we get people in here."

Warren Henry Volvo does a wholesale parts business that averages about $40,000 a month, and parts as a whole does about $100,000 during that period.

That in itself would be "a pretty nice little business," says Zinn, but there is no doubt what the hub of the Volvo-Mazda operation is and will be: "trying to keep things on a personal basis, and doing everything we can to keep customers coming back for parts and service and when that time comes, the second sale." Æ

Auctioning Off Excess Inventory

It's a common problem for dealers these days. They have too many slow-moving cars in stock, and attendant sky-high floor plan costs are eating up profits generated by the units that do sell.

W. R. Hutchinson, who owns a Ford-Mercury franchise and an Olds-Pontiac-GMC deal in the small Georgia town of Thomson—some 30 miles west of Augusta—was facing the same situation. The enterprising young Hutchinson, however, isn't the type to just sit around and complain about such problems. He decided to try something different. He selected 200 new and used vehicles out of the combined inventories of his two Thomson dealerships, put them up for auction one recent Saturday, and invited the general public to take part in the festivities.

How did Hutchinson's brainchild turn out? Well, as is usually the case with any out-of-the-ordinary venture, there were pluses, minuses and—probably most important—some valuable lessons learned.

Speaking candidly, Hutchinson and his staff members expressed some disappointment that specific goals weren't hit, but they were quick to point out that their major objective, reducing inventory, was accomplished.

A few days after the auction was held, Thad Johnson, Hutchinson's general manager at the Olds-Pontiac-GMC dealership, sat down with **AE** for a "post mortem" discussion. During this frank and open talk, Johnson explained why the auction was needed, how it was put together, and what the Hutchinson people learned from the experience.

"First of all, you'll have to realize that we didn't face the same problems a lot of dealers had in the last two quarters of 1979," began Johnson. "We were doing a tremendous business for this market right up through the end of the '79 calendar year. The last six months of the year were better than the first six months . . . we sold 117 new cars in December when everybody else was practically at a standstill."

One reason for the boom at Hutchinson's two Thomson stores during the wrap-up months of the year was the ability of each of the dealerships to penetrate the large *Augusta* market by wielding the great persuader—lower prices.

"Between 60 and 65 percent of our new car sales were made to customers in the Augusta area," Johnson said. "We were able to sell our cars sometimes $200 to $300 less than the city's own dealers could."

All that changed with the new year. Larger cars that had been selling well for Hutchinson came to a virtual halt, but the escalation of his floor plan rates continued to march on.

"We found ourselves in the same boat the Augusta dealers were in," Johnson went on. "We had to start toning our operation down. . . . We just couldn't continue to carry heavy inventories and keep giving our cars away. Instead we now have to use a smarter, sharper angle on the market."

The key to the situation, Johnson and the other Hutchinson managers knew, was smart new-car inventory control. The quick shift in buying patterns, however, had thrown the proverbial mon-

...ning of his Ford-Mercury and Olds-Pontiac-GMC stores' new and used merchandise, says dealer W. R. Hutchinson, was not in ...essful. But he says the attraction of the auction helped him sell many cars outside the auction barn.

...wrench into their inventory ...ol systems.

...ll of a sudden, cars that had ...elling well just 120 days be... weren't selling anymore," ...son explained. "At our GM ...e, we had about 145 new cars ...tock and we consider 100 to be ...ideal inventory. The Ford store ...n't quite as bad. They had 60 in ...k and like to carry 50. This is ...y we decided to have the auc... We figured if we could reduce ...inventory some 25 to 30 units ...he GM deal and 15 to 20 at the ...d store, the auction would be a ...ess."

...ne determining factor in going ...ad with the auction idea was ...availability of an auction ...ity at a very reasonable price. ...We were in an advantageous ...ition as far as the auction ...nds went," Johnson pointed ... "Dave Ware, the general ...ager overseeing both our ...lerships, also owns the Thom... Auction Co., so we were able ...ent it at a very low fee."

...hnson quickly added, how..., that dealers who aren't in ... a fortunate position ...ldn't let the unavailability of ...auction facility deter plans for ...type of sale.

"I think an auction such as the ...we held can be produced just ...well right in the dealership. You ...easily set one up in the service department," he advised. "In addition to saving on rental charges, you can cut costs on the movement of cars that are going on sale. When you figure we used about three gallons of gasoline in each of the 200 cars we moved back and forth, that adds up to a substantial sum. We also had to pay two drivers to actually move the units and that added to the total cost."

As might be expected, the major expense was advertising. Johnson said $5,000 was budgeted for ads that ran all week prior to the auction.

"The $5,000 was for both stores, with the GM deal covering about 60 percent of it and the Ford deal paying for the remaining 40 percent," he said. "Seventy-five percent of the total budget went for television, although in addition to the two TV channels, we advertised on three radio stations and in one newspaper.

"If you think $5,000 is a lot for our market, you have to bear in mind that we would have spent some of that ad money regardless, for just normal advertising."

Other arrangements that had to be made included hiring a professional auto auctioneer; insuring that representatives from General Motors Acceptance Corp., Ford Motor Credit Co., and the local banks would be on hand so financing would be no problem; and inviting a limited number of wholesalers to buy the used cars and trade-ins.

With regard to the actual operation on the day of the sale, gates to the auction grounds were opened at 9 a.m., with all units on display for pre-auction purchase. A registration office was open to all prospects so they could voluntarily register to take part in the bidding. Each registrant was given a numbered card on which he or she listed personal information; the card also carried the appraised value of any possible trade-in units the registrant may have had. The auction itself got underway at 1 p.m.

"We, of course, reserved the right to reject any final offer on a car going through the auction lane if the bidding was too low," Thad Johnson explained. "We had a net figure on our inventory books for each unit and we wouldn't accept any price lower than that figure. Any of our hotter selling cars—Cutlasses, X-cars, any of the small cars—were to be handled just as they would be on the retail lot."

Was the auction a success? Johnson answered that question in two parts: "As far as the auction itself went, no. It wasn't a success. But the *attraction* of the auction *was* a success because we sold cars outside of the auction barn in the display area." →

A ringman is used by many auctioning teams to help the action—and the bids—speed along.

With a double answer such as that, you have to wonder where the pluses and the minuses fell and what were the reasons for each. Johnson talked candidly about both sides of the coin.

"We should have planned to display the cars for a longer period," he said. "We displayed the units only that morning and again in the afternoon following the auction. I'd suggest that anyone who is considering an auction like ours put the cars on display for two days prior to the auction and a day afterwards.

"Another mistake we made was not making it mandatory for people coming through the gates to log in. The way we conducted it this time was, people could register voluntarily after they got inside. Only 35 people signed up in the office, and even though we know that *they* are serious buyers, we would have had a lot more prospects if we had used a mandatory sign-in procedure."

As for the disappointing showing in the auction barn, Johnson said he thought that could be remedied by the selection of the auctioneer.

"We had only one auctioneer and that was a mistake," he said bluntly. "We should have had two. And let me add this—the average person just can't comprehend the fast pace and rhythm of a professional auto auctioneer. Those of us in the automobile business who attend car auctions understand what's being said, but the general public can't. People at the auction were hesitant to bid because they weren't sure what was going on. We had comments afterwards that there might have been more business if we had used an 'old-time' public auction caller who spoke slower and more clearly."

On the "plus" side of the ledger, you have to view the event's final tallies this way:

• Under present market conditions, Saturday business would normally yield anywhere from four to six new car sales at Hutchinson's GM outlet, and something less than that over at his Ford store. With the auction activity, however, buyers signed up for 19 units offered by the General Motors dealership, and they bought seven from the Ford outlet. After credit turndowns, the final tally was 17 and six, respectively.

• Ford store sales resulted in F&I deals with all six of the approved buyers, and six others—28 percent of those who purchased offerings from the GM dealership—elected to finance through the dealer.

• A combined total of 35 new prospects were uncovered for Hutchinson's sales force to contact.

• A number of residual possibilities have come to the surface as interested parties have been calling both dealerships to inquire whether any of "those auction cars" were still available.

Even with the added expense involved in putting the auction on and the less-than-overwhelming results, Hutchinson and his people said they felt they were better off because of it. One reason was that every car sold was sold at a profit. "We didn't sell one of them short," said Johnson. "If people had been willing to bid when the cars came through the lane, we were prepared to take prices down to our net figure on many of them. The way it turned out, we actually made money on all sales."

The main reason, however, that the production was looked upon as a success was the savings in floor plan interest.

"Looking at the whole picture," Thad Johnson analyzed, "we probably broke even as far as expenses compared to profits go, but we reduced our inventory by 25 units and any car man knows the manufacturer would have been charging us $1,000 to $1,500 a month interest on those units if they were still in stock."

Was the effort successful enough to consider doing it again?

"We'll do it again at another time," Johnson said without hesitating. "But we'll do it with the changes we found out we need to make. . . . The idea of the auction itself is good if it's studied and worked right. I'd recommend it to a dealer who has a high inventory and wants to reduce it. Of course, he'll have to be able to justify the cost. By 'justifying the cost,' I mean that the reduction in inventory will have to offset the expense of advertising, and setting up the auction itself, and all the additional costs. And you might have to shorten deals on some of your stock. The way I see it, it's like the FRAM oil filter commercial on TV says: 'Pay me now or pay me later.' That's what it's really all about. Do you want to keep paying interest on those cars, or do you want to move them?"

Obviously, W. R. Hutchinson and his people wanted to move them. Æ

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THE BIG RIGS

Pat Close

Both the Carter Administration and Congress continue to drag their ... with respect to providing the ...k industry with much needed ...f. During his recent Detroit ...ress, the President offered a ...t in the form of SBA guaran... loans. Carter also promised to ...: with automotive industry ...resentatives to "study" the ...blem. This could produce ben... in the long term, but it ...n't address the immediate ...blems.

The President has repeated his ...ition that no tax credits will be ...ered this year. With only a few ...rt weeks left for Congress be... they hit the campaign trail, it ...ms doubtful that they will gen...ate their own tax cuts.

We have embarked on a legisla... program designed to educate ... persuade both the Adminis...tion and Congress that action is ...ded *now*. ATD has launched a ...er-writing campaign asking ... law makers to provide a tax ...t in the form of a repeal of the ...eral Excise Tax—the 10 per... levy on trucks and the 8 per... assessment on truck parts. ... World War II-era tax con...ues to put the medium and ...vy-duty truck industry at a dis...antage in a dismal economic ...ironment, and it's time Con... responded to the needs of the ...nsportation industry.

What do you think would hap... if the average price of every ...k sold was reduced between ...00 and $4000? All of us, I ...nk, agree many more people ...uld be willing to make a capital ...enditure for the commercial ...ck. And the FET repeal could do ... that.

This year has seen the truck market fall to new all-time lows. Our forecasters put the total '80 production figure for trucks at 2.5 million, down nearly 1 million units from 1979! If it holds true, it means an increased number of dealership failures and continuing economic decline.

Last year, truck customers paid $1.2 billion in excise taxes on new trucks, parts and accessories. In turn, most of them passed their costs on to the consumer in the form of higher rates. Nobody is winning.

But the cost of the excise tax affects the dealer so greatly because it comes at him from so many directions. It's reflected in the floor planning costs attached to his slow moving inventory, since the dealer must pay the excise tax when he purchases the truck from the factory. It's reflected in the administrative costs of trying to comply with confusing IRS rules and regulations concerning the FET. And, it's hidden in financing costs of customers.

The truck industry contributes a great deal to the health of the economy. Yet Congress has not provided the industry a tax cut since World War II! And truck-related taxes have climbed yearly. The cost of truck transportation continues to rise very largely due to taxes that are fueling inflation, lost production and unemployment.

We simply *need* a stimulus; we need a tax credit. We've proposed that it take the form of the FET repeal. We need some legislative action to get us out of the shape the government has put us in! The repeal will stimulate sales. It will put the truck industry back on its feet and it will ultimately benefit the consumer.

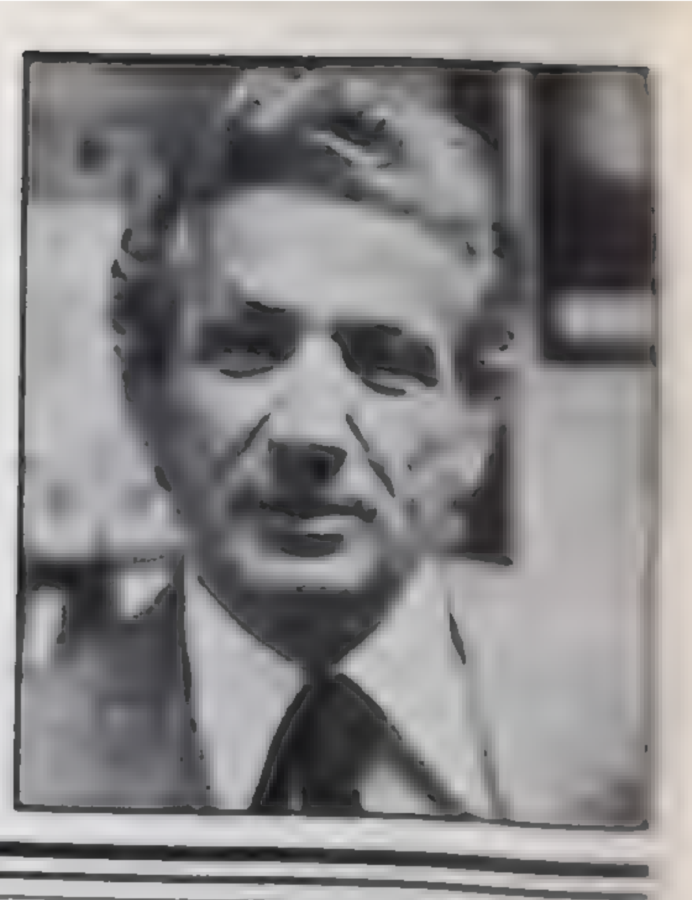
ATD strongly supports the Highway Trust Fund, bet we don't believe the FET is the approach to take. Just a 1 cent increase in fuel taxes will generate the $1 billion the FET now brings in. That seems much more fair, since all highway vehicles—both cars and trucks—will share the load.

NADA President George Irvin, a Chevrolet dealer from Denver, Colo., called on the Administration last May to endorse tax credits and the FET repeal for the automotive industry. ATD Chairman Tom Egan, a Peterbilt dealer from Stockton, Calif., says the dealer body must mobilize and convince Congress this measure is needed since President Carter has backed off the issue.

The time is expecially right for the FET repeal. I hope every medium and heavy-duty truck dealer will take a few minutes to write their Senators and Congressmen about this important issue. The truck industry is in poor shape. Both short-term and long-term solutions are needed. The immediate answer undeniably is repeal of the Federal Excise Tax. If truck dealers wish to remain businessmen, they will have to rally to this point. (See *On The Hill*, page 49, for a further discussion of this subject.) Æ

...lumn is prepared exclusively for **automotive executive** *by Patrick R. Close, director of NADA's American Truck Dealers Division. All inquiries should ...ressed to: Pat Close, director ATD, 8400 Westpark Dr., McLean, VA 22102.*

Selling Yourself



Joe Girard

A Lesson From Billy Fox

Since three weeks ago, Billy Fox hates me. This is because I won't listen to him anymore, which is really bad news since I figure I am one of the world's great listeners.

My troubles with Billy started on the golf course where Billy and I and two other guys play every Saturday morning, wives and weather permitting. Billy is a hot-headed hacker; sometimes he throws clubs and when he's deep in the trees, there are those who say he might help the ball along with his foot. Otherwise, Billy is a sweetheart.

What finally got to me is that for eighteen holes, Billy does all the talking and that talking is only about Billy and his game. The story never changes. Billy hits the ball into the water or some other evil place. First come the curses. Then he tells you what he did wrong to make the ball act like a wounded pheasant. Then he tells you how he'll correct the problem on the next shot.

Finally, the rest of us get a chance to hit our ball. If you should get lucky and whack out a good shot of your own, Billy says, "Good shot, Joe. Just like the one I hit on the fourth hole with my six iron, remember? I knocked it stiff to the pin." Even when you're playing your game, you're still playing Billy's game.

The other two guys and I finally worked up the gumption to tell Billy to shut up a little, but we said it nicer than that. No sale. Billy walked off the tee right to his car and burned rubber out the driveway.

If you agree with my feelings about Billy and if you are a believer in capitalism, here's an idea to help you succeed as a salesman, husband, wife, golfer or whatever. Have faith in the theory of supply and demand. There's always an *oversupply* of talkers and a *shortage* of listeners. Always go for the shortage. Corner the market on listening. Believe me, you'll have no competition. Everyone else is waiting for his turn to talk, trying to put his two cents in. You'll be trying to take them out.

I can prove it to you. Watch this. We've all heard people put down a guy by saying, "He talks too much." I've said it. You've said it. But did you ever hear someone knock a guy by saying, "He listens too much?"

I feel bad about Billy Fox. It's not like me to lose my patience. I guess it's just that I'm only human and sometimes I want my chance to talk. And I want someone to listen. But I know one thing for sure, Billy. Next Saturday when we walk out to the first tee, nobody's going to miss you.

* * *

You've probably read about the advertising man who wanted to make a good impression, who was out to sell himself, even as you and I.

He chose his clothes carefully. He shined his shoes mirror-bright. And he put on what he called his "sincere" tie.

Bunk!

There is no such thing as a sincere tie or suit or shoes or hat. The only thing that can be *sincere* is *you.*

If you want to sell yourself, sincerity must be one of your features. People can sense sincerity—or the lack of it. As a salesman, I can tell you what the feature benefits are.

Sincere people are those who always keep their promises. Those are the people who mean what they say. Those are the people you can trust without question. Sincerity is a trait that can be developed. If you feel you lack that quality, now is the time to work at it. But, remember, anything worth having does not come easy. You must keep at it constantly.

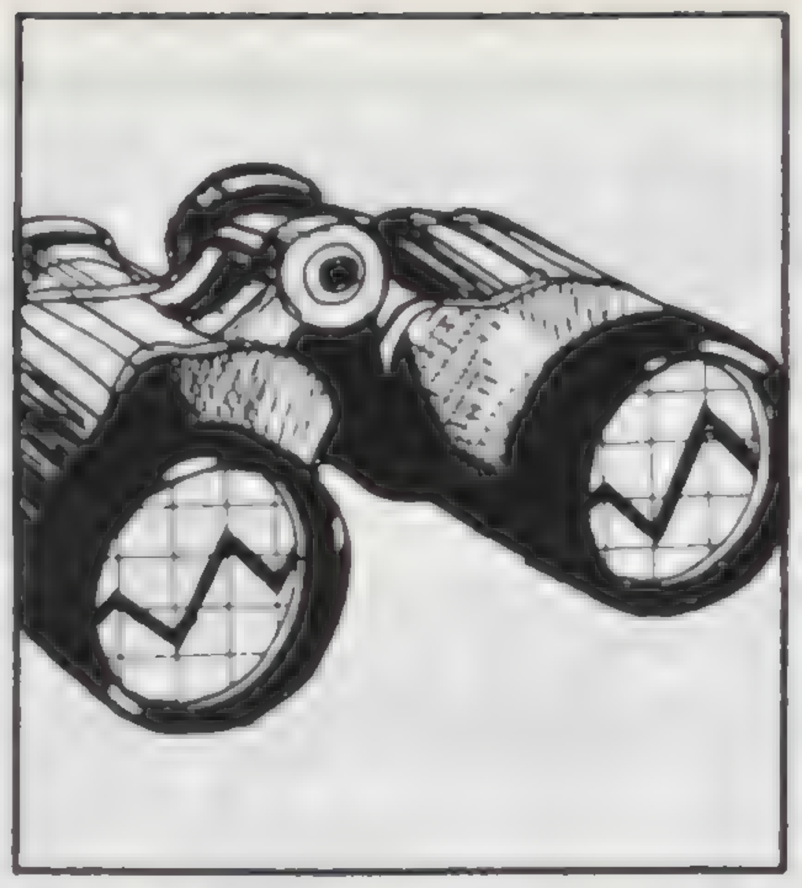
I know a young man who works in the service department of an automobile dealership as a write-up man.

A repair order is a promise. It promises to do the needed service and, in some states, it promises a "not to exceed" price. Write-up men also make promises.

"Your car can be picked up at 4 o'clock, Mrs. Brown," or 'I'll call you if it's not ready and we hit a problem, Mr. Smith."

(Continued on page 27)

These columns are prepared by Joe Girard, named the world's greatest salesman 12 times by the Guinness Book of World Records, and syndicated through Allied Press International. All questions and comments concerning information included in these columns should be directed to API, P.O. Box 2291, Washington, DC 20013.

ECONOMIC  OUTLOOK

Housing—Watching Its Ups and Downs Can Help

To a large extent, the health of the U.S. economy is dependent on two basic industries—motor vehicles and housing. While dealers are well aware of the importance of the motor vehicle in providing jobs and income in our economy, of course, the importance of the housing industry is not as well known.

According to the National Association of Homebuilders, every single-family unit built generates 1.75 jobs, and every multi-family unit generates 0.83 jobs. These figures reflect *only* those jobs created through the actual construction of the house. They do not include the jobs generated by increases in appliance, auto, and other sales that come about after the house is constructed. These, too, are substantial. Because the housing industry does generate so much employment, it also generates a lot of income and is, therefore, a key determinant of new car and truck sales.

Housing is also, of course, a key determinant of the *pace* of the overall economy. In past recessions, housing has been one of the first sectors to turn down, with the decline in real residential investment typically beginning four quarters before the start of the recession. The current housing decline began five quarters before this particular recession started. Thus, the state of the housing industry can provide dealers with an important and reasonable indicator of the future course of the economy.

Dealers should be especially cognizant of the housing industry right *now.* Since it is unlikely that the automobile industry will pull the U.S. out of the current recession, as it did the 1974-1975 recession, housing will have to provide the extra stimulus, and it is expected to do so. It is important to remember, however, that housing starts, like car sales, vary significantly from one locality to another. So each dealer must monitor the housing industry in *his* area in order to determine how his dealership will perform in the months ahead.

Causes of Housing Industry Fluctuations

As each economic expansion matures, interest rates rise. Rising interest rates cut into the housing market from both the supply side and the demand side. With each jump in the mortgage rate, some people who previously could have afforded a mortgage no longer can. Thus, demand is reduced and housing starts decline.

Rising interest rates also reduce the supply of mortgage credit, because of mortgage rate ceilings and deposit rate ceilings. When market interest rates rise beyond the mortgage rate ceiling, mortgage lenders quite naturally cut back on the funds they supply to mortgage borrowers. When the market rate rises beyond the ceiling that banks and thrifts can pay on deposits, disintermediation occurs. That is, depositors withdraw their funds from savings and loans and other mortgage lenders in order to purchase financial instruments that pay higher interest rates. In each case, the supply of mortgage credit is reduced, and housing starts decline.

Since the last recession, however, there have been several changes on the demand and supply side of the mortgage market which have affected the way in which each responds to rising interest rates. On the supply side, mortgage ceilings (usury laws) have been removed by federal statute, and banks and thrifts have been allowed to pay higher interest rates on passbooks and to issue money market certificates at interest rates equivalent to those paid on 26-week Treasury bills. In addition, an increasing share of mortgage funds is now being provided by mortgage-backed securities, which are sold by mortgage lenders and guaranteed by the government. Because of these changes, mortgage credit has remained generally available throughout this downturn, in contrast to previous downturns, and as a result, the 1976-1979 economic expansion was one of the longest on record.

On the demand side, demographics caused the most significant change. The children of the baby boom are just now reaching their prime house-buying years. In conjunction with this strong underlying demand, an increase in the number of women entering the labor force has enabled more households to afford increasingly expensive houses. The consumer's ability to purchase these houses has also been enhanced by the availability of new types of

(Continued on page 27)

This column is prepared by the Economic Analysis Dept. of the National Automobile Dealers Association. For further information or questions concerning the items appearing in this space, write: Economic Outlook, Economic Analysis Dept., 8400 Westpark Dr., McLean, VA 22102

We've put it all together so GM Dealers can do it all.

General Motors Acceptance Corporation practically invented automotive financing. When we set up shop over 60 years ago, car financing was almost unknown.

Since then, thousands of GM Dealers (and millions of new-car buyers) have come to depend upon GMAC for their financing needs. As a matter of fact, we've extended more automotive credit than any other financial organization in the world. That makes us your most experienced automotive credit source.

And we've continued to anticipate your needs by expanding our services in new and innovative ways. Ways to make it easier for you to merchandise cars and trucks. Ways to make it easier for your customers to buy, lease or rent them.

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And, they'll continue to honor Roland and regional winners by telling their stories on their own pages.

Fact is, for the fourth year in a row, no other publication has given truck dealers a boost like *Business Week Magazine*—the kind of boost that will have a positive effect on our entire industry.

For Roland was recognized for a dedication to community service and contributions to the growth of his Colorado community along with his outstanding truck merchandising record. And, through *Business Week,* many readers will learn about men and women like him—men and women who set high standards for the truck industry.

Business Week realizes the vital role that dealers like Roland Faricy and regional winners like M. John Hopkins IV in Highland and Mt. Vernon, Illinois; William W. Simpson in Clarksburg, West Virginia; Robert A. Steele in Ft. Lauderdale and Ft. Myers, Florida; and Jerry G. Verret in Beaumont, Texas, play in our economy. And, when you pick up any issue of *Business Week,* you'll also see the kind of space it devotes to the latest news about our industry.

Next time you need to reach people to sell your automotive and truck products, give your business to the magazine that supports and understands our business. America's leading newsweekly of business. *Business Week.*

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American Truck Dealers Division
NATIONAL AUTOMOBILE DEALERS ASSOCIATION
8400 Westpark Drive, McLean, VA 22102

growing number of dealers are being convinced the present tough conomic situation is showing up all the weaknesses in the "back end" of a eal. But is it really? Some dealers don't think so, because F&I is helping them ke up the slack.

l as on the front end. Most lers want their best sales man- up front and their best sales- n on the floor so they can get as h profit from a sale as possi- but then they'll put people aren't trained back in F&I or y'll have a sales manager bling as a finance and insur- man. I don't agree with that."

There are other common ries concerning F&I practices n which this somewhat unor- dox Louisiana dealer doesn't . One of them is the old adage by most dealers and finance ple alike that says a dealership boast a hefty sales volume re it can afford a full-time F&I n on its staff. With a modest ing potential of 460 cars and trucks, Downing not only car- a full-time F&I man, he carries . Now, that ought to make a heads wag in disbelief.

I was with a well-known credit insurance company in the west when I decided to go with F&I men," Downing related. "They said, 'No, you can't do that because you're too small; you don't have a large enough volume!'. Well, I said I was going to do it anyway and they again strongly advised against it. I went ahead and, right away, my finance and insurance income went up. My *net* F&I income went up even after I paid both men. . . . Last year I made a half-million dollars in insurance and finance money."

Even though Downing Chevrolet did sell over its potential last year (1,124 new cars and trucks and 480 used), gross F&I income of a half-million is still nothing to be sneezed at.

Why was Ross Downing so determined to buck the advice of the experts and increase the size of his F&I department? It wasn't just because of a stubborn whim. He explained his rationale to **AE** this way:

"Take a look at your sales force. You usually have it broken into two shifts. One shift works late one night and the other the next

night. One shift works one Saturday and the other the next Saturday. Half your sales force covers while the other half goes to lunch.

"Then look at your poor F&I man! He's got to be there whenever a sale takes place. . . . He's got to be there for the first sale in the morning and he's got to be there to finish up the last sale at night. He's got to be there at lunch, too.

"He works longer hours than anybody in the dealership. And if he misses a Saturday his averages go down because whenever he's not there he's got somebody filling in for him who really isn't that interested in that end of the business. In order to keep his figures up, he's got to work 12 hours a day, six days a week.

"I've found that even after you hire a good F&I man, he'll only be good for six or eight months and then he's burned out. The pay may be good, but he doesn't have time to do anything with it."

As Downing expected, the addition of another man to his F&I department gave it the needed flexibility to allow more sensible working conditions for its members. It also allowed them to spend more time with individual customers and work each deal more thoroughly.

In addition to the above pluses, Downing told us he has found that an expanded F&I staff also provides two other very important assets to his dealership:

(1) It helps insure a more constant level of finance and insurance income on a year 'round basis; and

(2) It reduces the business office workload and can even allow the office to operate with fewer people.

Speaking of the first point, Downing explained that a one-person F&I department always means reduced revenues when that solitary finance and insurance representative is away for an extended period, such as during vacation time.

"If your dealership is doing $45,000 to $50,000 a month in F&I—such as mine does—and you only have one person in that department, you can expect to lose anywhere from $7,000 to $10,000 while the guy's on vacation," he said.

About the second point—reduced work for the business office—Downing saw that come about by having the right people and the right equipment in his F&I department.

"If you have properly trained people back there in the F&I department," he pointed out, "the first thing you're going to notice is that you can get by with fewer people in your business office. The reason this is true is that when a buying customer leaves your dealership, all his paperwork is already going to be completed and done correctly.

"We have two computers in our F&I department—they cost about $10,000 each—and our people can sit right there with the customer and work up payments on the computer that will suit that customer. Our F&I people are experts on those computers and they explain everything to the customer as it's going onto the contract. The computer gives us a completed contract that's typed up in full. . .and the customer just has to sign it and the deal's concluded.

"When the contract is signed, one of our F&I men takes it to the business office and it doesn't have to be retyped. . . .The dealer who doesn't have our kind of F&I department has to have a person in the office type the contract and work it all up. And that can take a long time while the customer's waiting. But, if a dealer has the right kind of computer setup in F&I, all that stuff is done when it gets to the office.

"Now, I know of some dealers who have the same kind of machines we do, but they put them in the business office and must have somebody in there trained to operate them. The way I see it, you should have your F&I people trained to use the computers correctly and then they can use it while they're selling our programs and have the whole thing completed in just a few minutes."

How can you insure that your F&I people receive the proper training so they can use programmable calculators to the best advantage and also sell F&I programs in the most effective manner? Ross Downing said he does it through a good F&I company that specializes in servicing auto dealerships.

"It's very important,to get with a good company when you're planning to really step into the F&I business," he said. "The one I use will find finance and insurance people for you and train them, too. It even holds refresher courses for them every year."

It's also important, according to Downing, to ally yourself with a company that will thoroughly service your account.

"The company I'm with sends a man by at regular intervals to go over our records in F&I. If he sees a bad trend developing, he lets me know right away," he explained.

Obviously, Ross Downing is satisfied with his F&I company, but how can other dealers go about finding one that will satisfy their particular demands? In talking to other dealers who have found such firms that please them, **AE** discovered the most often-recommended method of pinpointing the right company was to do just what we were doing: talking to other dealers.

"I selected my F&I company largely because of its reputation," one dealer in the Northeast told **automotive executive.** "I figured if it was servicing other dealers properly and they were having good results, it would probably service me properly, too."

For a fast, inside look at the kind of service a typical company of this nature provides dealers, **AE** studied a lengthy list of organizations and selected a large insurance company in a major industrial city to talk with. **AE**'s reason for picking an insurance company was that most dealers who can currently boast of a strong F&I income appear to be doing much the same as Ross Downing in Louisiana. That's concentrating on the presently more profitable insurance items to take up slack created by thinner shares of the finance deal. Ironically, however, the spokesman for our target company started off by talking exclusively about finance and not insurance.

"We train personnel to control the customer," he said in explaining his company's dealership procedures. "So many auto sales trainers have advocated the importance of controlling the customer from the time he walks through the door right on through

There are alot of reasons why Western Diversified handles our F&I.

"We've always been able to sell alot of cars but, before Western Diversified, we had been weak in the F & I area."

"Western Diversified has helped us to realize the tremendous profit potential of our F & I department, and we are now enjoying those profits. In fact, we feel F & I is THE most important area as far as profit vs. investment."

"We had tried alot of different companies, but Western Diversified was the first to take a genuine interest in our people, and motivate them to get the job done. We couldn't be happier with the great service we get from the Western Diversified team."

Gary Mattox, Hopkins Dodge
Thane Hawkins, Thane Hawkins Chevrolet
Hopkins, Minnesota

The Western Diversified team of professionals can make a tremendous difference in your dealership as they have with Gary Mattox and Thane Hawkins. From sales motivational meetings, to management of dealer-owned insurance companies, Western Diversified can effectively be a part of your dealership like no one else.

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until the order is signed. But then they usually drop it. They say, 'Yeah, you've sold a car. . .', but that really isn't true until you secure the financing and make sure the customer *stays* sold. You must control that customer until he and his auto's taillights go over the curb."

Why so much emphasis on training dealership personnel to sell financing when the company is going to be making its money from the insurance a dealer sells?

"We found out early on," the company's spokesman answered, "that if you're going to sell insurance effectively, you must sell the financing. For example, if the customer agrees to finance through the dealership, you can then sell him insurance. If, on the other hand, the customer goes to a bank, the bank may not be writing with us. So we say finance control is a large part of an F&I department. It consumes a large part of time. The credit insurance actually does not."

He went on to point out that, contrary to widely held beliefs, financing actually *gains* in importance during inflationary times.

"You know, the F&I department is the only department in a dealership that is affected by inflation in a positive way," he said. "If the price of a vehicle is going up, chances are the price of clothing, food, utilities and housing are going up also. And that means more financing is needed because the customer has less to put down on the car. Also, as financing goes up, so do the premiums for credit insurance, and as credit insurance goes up, so does the dealer's commission."

O.K., so he made his point about financing being important to the sale of insurance, but why does an insurance company concern itself with items such as service contracts?

"As for the extended warranty contract," he explained, "we're in the rapport-building process by getting the dealer and the warranty company together so we can complete our selling program for total service, for a total profitable operation of an F&I department.

"Then, too, selling service contracts is generally done by the F&I person at the time the financing

...d credit insurance is being sold. ...e reason that should be is the ...I person is more concerned ...out selling back-end services. ...doesn't have to worry about the ...e of a vehicle because it's al-...dy been sold. All he's doing is ...quainting the customer with ...itional benefits and services. ...erefore, penetration is higher ...d the dealer's commission is ...her."

Turning to his company's own ...e service—selling insurance—...r interviewee outlined tech-...ues his firm believes should be ...d in the dealership.

"We teach that credit insurance ...uld be added to the monthly ...yments for the vehicle and ...oted to the customer with a ...mplete explanation about ...tly what he's getting. If the ...stomer doesn't want it, we in-...ruct the F&I person to give logi-...l arguments about why credit ...urance is desirable. If the cus-...mer still insists he doesn't want ...e insurance, the F&I person ...ould take it out of the monthly ...yments, decreasing the pay-...ents to what the customer ...nted when he first walked into ...e dealership . . .

"The gross profit is *never* tam-...red with after the sale of the ve-...cle has been made and signed. ...e F&I person does not affect the ...ss profit in any way. All he does ...add on to it."

Returning to his previous com-...nt about giving "logical argu-...nts" to combat a customer's ...gativism toward credit insur-...ce, the representative gave a ...mpling of what F&I trainees are ...ught by the company in this ...uation.

"First, you must smoke out the ...e objection a customer may ...ve to insurance . . . there can ...myriad objections—and objec-...ons, we have found, are ...ver in the form of a question. ...ey're always a statement end-...g in a period. What the F&I per-...n should do is turn that state-...nt around and ask it as a ques-...n: 'Why don't you want it?' or ...hy do you say that?' Then the ...stomer can come back with ...at seems to be a logical reason ...ch as, 'I don't want it because it ...sts too much'.

"Now, you have something to ...r to rather than an emotion. For example, a retort to 'It costs too much' can be something like. . . . 'Sir, do you ever use Brut aftershave? Brut aftershave costs $278 a gallon. Surely you must use a gallon of aftershave in, say, four years. Can the cost of this insurance be any more than that?'

"You can fight any argument with good, clear, concise logic. Of course, you must assume the customer you're talking to is a reasonably intelligent person who can understand fact and logic."

If logical arguments don't work, however, and the customer adamantly refuses to buy credit insurance, the spokesman reiterated, then the F&I person should drop the discussion so as not to jeopardize the sale of the vehicle. He or she can then move on to selling a service contract.

"If you're a good F&I salesperson, a customer's refusal of insurance really shouldn't affect you. You simply move on by saying, 'O.K., if you don't want insurance on yourself, how about some accident and health insurance on your car?' The customer, of course, will question that and want to know how you can get such insurance on a car. You then mention you have

a policy called the extended warranty program that is insurance on your car in case of mechanical difficulties. You explain what the benefits can be with a $25 or $50 deductible. Tell him this 'health insurance' is needed because he may know how he feels, but he doesn't know how his car feels. It usually acts all right until it breaks down."

With that abbreviated, bird's eye view of what an F&I firm can do for dealers—whether it's an insurance company or some other type of organization—let's turn to the "F" end of F&I that everyone seems to want to talk about. As we have been shown, the larger profits might be in other F&I areas at the present time, but it's the financing that makes the whole program work.

For Louisianan Ross Downing, having the right financing source is vital for a dealer interested in building a solid F&I business these days. To him the "right" source is one that will have funds available in tough times as well as in good times. He said many dealers in his area found their primary consumer credit source drying up when interest rates took off into the wild blue yonder. Downing said he avoided this trap because he deals exclusively with a manufacturer's credit arm—in Downing's case, it's naturally General Motors Acceptance Corp.

"I only sell through GMAC because I feel they'll always be there," Downing said, "and you sure need someone you can depend on now."

Although **AE** could have turned to a number of excellent organizations (among them Ford Motor Credit, Chrysler Credit or many banks around the country) for information about what a dealer should look for when seeking a financing source, we found it tailor-made for us in an address given recently by S. Kreis Smith, chairman of GMAC, to the NADA Board of Directors.

"Based on . . . background and experience, we believe there are several critical characteristics which a dealer should seek in his financing source to insure it will enhance his selling efforts," Smith told the NADA directors.

The characteristics specified by the GMAC chairman were *expertise, complete financial services,* and *concern for the dealer's interests.* The following excerpts from Smith's talk touch on each point listed:

Expertise. "Myriad state and federal laws, regulations and practices governing credit sales require comprehensive understanding to avoid pitfalls and penalties of improper handling of credit. Your financing source should be a valuable advisor in such matters even though final reliance should rest with your own legal counsel. . Dealing with automotive financing experts can take a lot of the gamble out of the dealer's business."

Complete financial services. "As new car dealerships continue to develop and mature into community transportation centers, their financial needs become more sophisticated and diversified. Your financing source must also grow with the industry and must anticipate the changing requirements of each dealer. It should continually identify dealership needs and opportunities, and de-

-p and test innovative plans
-l methods which will be so-
-ions to tomorrow's prob-
-s . . . We believe your fi-
-ing source should be a fi-
-ing 'supermarket' . . . for fi-
-cial services whether the need
for retail, wholesale, leasing,
-al or for a capital loan to buy,
-l or expand the business."

Concern for the dealer's inter-
-. "This factor transcends all
-ers, for it establishes and nur-
-es confidence in the relation-
-p by accentuating the areas of
-mon interest. In my view, the
- situation would be for each
-ufacturer to have a financing
-diary or to provide a reliable
-ce of financing as an intergral
- of its marketing process. I
-ud Volkswagen's plans to
-port its dealers with financing
-ices. . . . A financial source
- the dealer's best interests in
-d will establish realistic
-olesale credit lines based on fi-
-cial statement and market
-ities; flexible enough to ac-
-mmodate the need for tempo-
-y increases, yet sound enough
-resist the overtures of an over-
-ous factory rep to inflate in-
-tory beyond the capacity and
-s of the dealership."

-n addition to these observa-
-s, GMAC's Smith added that a
-ancing source interested in its
-alers' market position and de-
-pment provides more than
-t proceeds checks. In a
-cklist of desirable attributes,
-ith said such a financing
-rce:

- Offers financial counseling -ng tested performance yard-

- Provides a monthly analysis -ime sales to show a dealer how -measures up to other dealers in -line and trading area.

- Shows a dealer how he can in- -se his finance income.

- Produces for a dealer's use -thly prospect notices of his -tomers who are ready for a re- -ale.

- Supports the dealer with -ely advertising, sales promo- - and training materials.

- Conducts the same thorough credit investigation whether the dealer's plan is repurchase or non-recourse.

- Provides contract documentation which, in its best judgment, conforms to all applicable federal, state and local requirements.

- Installs new forms and new procedures as needed to comply with new laws and regulations.

- Calls to the dealer's attention marketing practices which, in our constantly changing environment, may no longer be perceived as acceptable by consumers and their self-appointed government guardians.

- Is at the forefront, supporting legislative and regulatory reform and opposing vigorously regulation which increases the cost of doing business with little or no offsetting benefit.

In closing his talk, Smith offered a prediction about the automobile retail industry.

"History has shown our industry to have an amazing resiliency in times of adversity," he said. "It has been during adversity, when we have returned to the basics of the business, that we have learned our best lessons. The clouds which darken our present outlook are beginning to pass, giving way to the promise of a new era of exciting developments in personal transportation. Those of us who learn our lessons well today will share in the new levels of growth and prosperity which are surely coming."

Perhaps Kreis Smith might have added that one important lesson some dealers have learned—dealers such as Ross Downing—is that F&I can be a valuable asset during this current time of adversity. And it will be even more valuable, if treated wisely, during the good times yet to come.

ÆE

THE SERVICE DEPARTMENT

Douglas Eickhoff

Hiring Your People

Service personnel have to be the most important "result area" that your service man... is responsible for. If customer ...tions, factory relations, sales ... expense control, etc., are on ... mind, ask yourself: how can I ...eve positive results in any area ...out good personnel? You ...

...hy is it, then, that we tend to ...nd fire much too often? We ... the guy who just got fired by ... agency down the street and ...come him with open arms. ...r all, it's not that easy to find a ...anic or service adviser. When ... applies, he is hired and that's ...re the trouble starts!

... good interview with the po...al employee should be con...ted after a basic application has ... filled out. Here are some in...ewing tips:

Assure privacy—avoid inter...ions.

Put the applicant at ease; be ...n and friendly.

Explain the structure of the ...rview.

Explain job requirements and hours. Tell him what the job ... cover compensation and ...nts.

Make no promises that you ... keep.

Spend time listening.

Ask the applicant what he is ...ng for from you. What are his ...ions and goals?

...t him know where he stands. If he is still under consideration for the job, tell him what comes next and when.

9. Rate the applicant immediately after the interview.

Remember—or be aware of—something else: it is unlawful to ask as *pre-employment* inquiries:

- The original name of an applicant whose name has been changed by court order or otherwise.
- The birthplace of the applicant.
- That an applicant produce proof of age in the form of a birth certificate.
- That an applicant for employment affix a photograph to his application form.
- That an applicant, at his option, submit his photograph.
- For a photograph after the interview, but before hiring.
- That an applicant produce his naturalization papers.
- What applicant's national origin or ancestry is.
- The address of any relative of applicant other than applicant's father, mother, spouse or dependent children.
- The name and address of the nearest relative to be notified in case of emergency.
- What applicant's general military experience is.
- For a list of all clubs, churches, societies, lodges, etc. to which the applicant belongs.

Make no notes on the application. The application, once filled out, belongs to and is the property of the applicant.

Check with the previous employer before you hire. Should you find out that the applicant may have stolen from the previous employer, and you have already hired him, you may not, by law, terminate him for that reason.

As part of the job interview, you should ask the applicant if he can observe all company policies. Get a commitment out of him. Let him know: What is expected of him; when it is to be done; how much is to be done; how well it is to be done; departmental objectives; how to achieve personal goals; what the company goals are.

A job description must be in writing and available at all times. It describes the responsibilities for the employee and should apply uniformly to all employees in each specific job classification. A job description should show an employee how his performance will be measured based upon standards in that job class. It should be a guide for the employer, the employee, and the government in its concern for fair employment practices.

Now is the time to compare views and iron out any misunderstandings. Æ

...lumn is prepared exclusively for **automotive executive** *by Douglas Eickhoff, Service and Parts Director of Steve Foley Cadillac, Inc. All comments or ... pertaining to these columns should be addressed to: Douglas Eickhoff, Steve Foley Cadillac, Inc., 100 Skokie Blvd., Northbrook, IL. 60062.*

SELLING FUEL ECONOMY TO SELL TRUCKS

If there's one thing I believe about selling trucks, it's that you can sell fuel economy at a profit. Selling it is financially good for you, it's good for the buyer, and since what we're doing is saving energy, it's good for everybody.

I'd like to talk to you about it.

I want to base what I have to say on a tractor van-type trailer running a somewhat standard and generally accepted 100,000 miles a year. And let me further base my case on the somewhat standard, normally assumed, 4.5 miles to the gallon. Most operators, it seems, have become reasonably comfortable in saying that their mileage is 4.5 mpg.

Now, what I'd like you to do is to think about just a few months from now—and about $1.50 per gallon for diesel fuel. And if you don't like that, the bad news is, it's going to be $2 a few months further down the road.

What it all amounts to is, if our truck rolls 100,000 miles each year at 4.5 miles to the gallon, the result is 22,222 gallons per year. And at $1.50 per gallon, that's a $33,333 expense.

That happens to be a chunk. If you sell trucks to owner operators, and the owner operator is generally talking $1 per mile gross, you know he can't be too happy. His gross income is $100,000, and we just took away $33,333 of it, just for fuel to keep the truck running.

Now, I want you to focus on the truck you can buy today. Again, it is not a truck of tomorrow. It is today's truck. And I'm going to prove it to you.

The number I want you to come away with is 5.8 mpg. That's *today's* truck. I am going to show you we can go from 4.5 to 5.8, and again, it is not some space age kind of vehicle. It's today's truck.

We're talking about real serious money as my friends in south Georgia say—savings of $7,471 a year. How many payments on a truck can you make from $7,471? Five to seven is about right.

Now, let's talk about an operator who is going to keep that truck for five years. Five years at 100,000 miles a year. Those numbers correlate strongly with the $7,471 we mentioned, multiplied by 5. That amounts to $37,355.

Now, at this point, you or your customer, when you're trying to explain what we're getting at, might be a bit confused. And you might *really* want to know, "Specifically, how *do* you go from 4.5 to 5.8?" Well, you asked for it.

First, you'll remember that the 4.5 mpg vehicle has an annual fuel bill of $33,333. That means that for each percent you can shave off the fuel bill, you have saved $333 per year. That's a very important number, and you'll see how many times we are going to use it.

The first thing we are going to do is put a wind deflector on the roof of the tractor. You will hear numbers on the drag foiler, on the air shield, and other wind deflector type devices all the way up to 10 percent.

Let's deal with the very conservative percentage of only 4 percent. When each 1 percent is $333, and a wind deflector saves 4 percent, 4 x $333 = $1,332. A wind deflector sells for about $500 installed.

How about that for a return on investment, first year? Put up $500, and get back $1,332. The

by Bert Grayson

The Vice President of Transportation Advisors, Inc., a consulting firm that has done a considerable amount of work for International Harvester, GMC, DOT, DOE and others, says selling Today's Truck can mean a lot of money for everybody.

...ond year, the operator keeps ...whole $1,332, and every year ...after.

...t should be a no maintenance ...m. If you put it on right the first ...e, it should stay there. But the ...trick is to put it on right, be-...se there *is* a right way and ...ng way. Don't let anybody put ...nd reflector of any design on ...roof of one of your vehicles ...thout showing them how to ...e the headliner down. Show ...n how to put the reinforce-...s in that are necessary. (You ...only to travel a very small ...unt in the industry to find ...ebody who will tell you a story ...ut how a wind reflector tore ...roof off the cab of the tractor.)

...'s becoming increasingly dif-...lt these days to buy a vehicle ...t doesn't have a fan clutch on ...engine, and that's good. The ...on? With it, you can hang your ...on another very conservative ...ings number, which is 5 per-...

...think the easiest sale in the ...le world is a retrofit fan clutch ...a husband and wife owner op-...vehicle. If you have ever ...en a vehicle with and without ...an cluth, you know what I ...an. It is a much, much quieter ...

...y the way, the original reason ...putting on a fan clutch had ...hing whatsoever to do with ...l economy. It was noise. Ex-...or noise, not interior noise. ...st older vehicles don't have

It is a very nice retrofit sale. It's about a $500 gross, but if the truck owner saves 5 percent, we're talking $1,665 in fuel savings for one year.

You hear a lot of talk about radial tires. Do they save fuel or don't they save fuel? Are they a good idea?

Radial tires do save fuel. You can hang your hat on 5 percent without any trouble at all. And some of the radial tire manufacturers will promise you numbers all the way up to and including 10 percent when you have a 5-axle rig.

I think you'll find in your data book on a 3-axle tractor situation, $1,200 is about the premium price for radials. If you notice, I'm being very conservative on this one; at a 5 percent savings, I'm giving you back $1,665, and I'm asking you for $1,200.

Now anybody who says *that's* not a good return on investment, don't forget about the fact that you get more caps out of a radial tire than you do with a bias tire. You also have a whole lot less trouble with small cuts and abrasions.

And also don't forget the amount of fuel the tires save is directly proportional to how much air you put and keep in the tires. I can tell you that for sure. If you do not keep air pressure in your Michelins, Toyos, Bridgestones, Firestones, Goodyears or Goodriches or whatever they are, if you don't keep them fully inflated, you will not get the mileage out of the tire. Also, you will not get the fuel savings I've indicated.

Now you're supposed to be thinking, "How hard are they supposed to be?" The answer is, "In general, the harder the better."

One of the more interesting tricks of the fuel economy game is the gap between the tractor and trailer. It's worth yet another 5 percent.

Yes, I know all about the long nose conventional cab with the 250-inch wheel base. You get the fifth wheel all the way out to the edge on one of these. Move the trailer "a mile-and-a-half" behind the tractor, and the whole thing rides beautifuly.

I'll also show you that a stretched-out vehicle would be lucky to get 4.5 mpg. The gap is worth a *full* 5 percent.

What does it cost to close up the gap? Absolutely nothing! When I talk about this before groups, someone always raises their hand at this point and says that it's rough on the kidneys. And I say, get some good shocks on the front end and an air ride seat for driver and passenger.

The owner operator and driver always fight closing up the gap. They want the truck to ride like a car. But do it my way, and we have 5 percent and another $1,665. And it cost us nothing to get there.

It's just definitely true in trucks: Tighter is better. So when you take a look at those fleet operators who are really serious about fuel economy, you'll see minimum gap settings.

The gap between the tractor and trailer is so close on some fleets, I sometimes wonder if they have

enough swing room to get the vehicle around a corner. They slide a fifth wheel in a 3-axle tractor all the way forward. Tighter is better.

But despite all we've said, the biggest percent in the whole game and the toughest to get to is the driver. He is worth 10 percent of the whole game.

How you drive the truck has more to do with miles per gallon than any other part of the equation. It is worth 10 percent, and that is worth $3,333.

In other words, if you do nothing else but close up the gap and drive the truck properly, you save 15 percent right away.

But if you add up all these percents, you get 29 percent. That's the difference between 4.5 and 5.8. If you have any doubts about my statistics, get in touch with a program called the "Voluntary Truck and Bus Fuel Economy Improvement Program through the U.S. Dept. of Transportation. They'll give you fleet verifications on all the numbers I've used. And as you talk to fleets, you might ask them about these statistics too. And see how close your customers are getting.

Now I'm going to show you the rest of the story.

As you know, the fuel curves and rpms translate to pounds of fuel per horsepower per hour. The rpm setting of the engine is our topic.

First, let's look at the Cummins 350. That should be extremely familiar to anyone of you that has ever sold a heavy-duty truck. At the standard setting, which means 2100 rpms the engine is producing 350 horsepower.

Now, a fuel curve shows the rate of fuel flow to the engine. The bottom of the curve is the place where the engine is consuming the least amount of fuel.

In this particular engine, the bottom of the curve is at 1800 rpms. At 1800 rpms, a 350 Cummins engine is producing *330 horsepower*. You'll see how significant that is in a minute. So-called formula-type engines all run at reduced rpms.

Those of you who are dealer principles, prepare to cry. Any time you sell a vehicle and you get the opportunity to see it in your shop after you have sold it, be sure that when the customer is complaining about fuel mileage, the very first thing you do is check the governor setting.

Some way or another, drivers think the best thing you can do for an engine is to open the governor up just a "tad." Well, just a "tad" in truck driver language means 2700 in a 2100 rpm engine.

What happens to the fuel curve at 2700? It goes straight up. When you see a tractor rolling down a road belching black smoke, that is unburned fuel. I would be willing to bet that those vehicles are not getting 4 mpg.

The 3.2 mpg hotrod, and there are a bunch of those around, are all running with fuel curves that go straight up. Black smoke is unburned fuel in a diesel. Blue smoke means an oil problem. White smoke generally means the engine is running too cold.

Back to 1800 rpms. That's the number I want to run at. That's the place where the 350 engine burns the least amount of fuel.

Hopefully, all of you believe in the 55 mph speed limit. I put all my numbers together and say that what I have now is a tractor-trailer combination going down the road at 1800 rpms. It's consuming the least amount of fuel at 1800 running at 55 mph. I'm producing 330 horsepower at 1800. Plenty of reserve.

Now, let's go on to look at the current generation engine. You have all read about and heard about the Cummins Formula 300 engine. Remember my emphasis on 1800 rpms? That's all there is to this engine. It cuts off at 1800. It should not go any higher than 1800 because of the fuel economy-type setting.

But what's more important is this. The fuel curve is darn near flat.

Some drivers think trucks sound better in a lower gear. Some drivers like to run around one gear low because it gives them better vehicle control. Down shifting a 4-speed or 5-speed sports car provides a parallel. Well, everytime you drop down a gear in the conventional type engine the rpm goes up and the fuel economy goes down. The 350 has a fish hook in the fuel curve. But now, we're looking at an engine that has almost a flat fuel curve.

I don't know whether Cummins would like this definition or not, but I'll use it anyway. I think this is a driver-proof engine, with almost fool-proof fuel efficiency. It doesn't matter how sloppy I am, the fuel curve is the same. It doesn't matter what gear. It doesn't matter what rpm. Above 1400, it is virtually all the same. What's more interesting is the governor setting is 1800 and I've got 300 horsepower. That's what the curve says.

It's a whole new ball game with fuel economy. Tighter is better. Harder is better. Lower is better. And in fairness, I should mention that Caterpillar, Detroit and Mack all offer similar engines.

The lower the BSFC number, generally speaking, the better. We're talking about less revolutions per minute and less fuel. It takes fuel to develop horsepower and it takes rpms. You've got to turn the engine faster in order to make more horsepower. That's what performance curves tell you.

Now to put it all together for you. We order a fuel economy tractor.

I went to Cummins and I said, "I want to plug into your computer the following data. I want a vehicle that is a 6 x 4. I want a highway COE tractor, a 3-axle tandem. I am going to pull a van-type trailer with a curved nose and smooth sides. I've got a GCW of 80,000 pounds. I've got a trailer that's 8 feet wide and 13½ feet high.

"I'm going to add a 5 percent reduction for aerodynamic aids, a wind reflector. I like tubeless radial tires that make 476 revolutions per mile. I'm going to use standard highway tread." Radial and tubeless, that is my kind of tire.

"I want to try a Cummins Formula 300 engine that produces 300 horsepower at 1800 rpms. A torque rise of 14 percent. We set the power at 1800 rpms.

"I'm going to use a fan clutch." It's not going to run but about 5 percent of the time.

Power steering. I don't like power steering.

Air conditioning. I did use it here, and I need 7 horsepower to run my air conditioner. I have no PTO.

"The axle is a Rockwell 38,000, 3.9 rear end." Yes, I could have gone 3.7 but I stayed with the 3.9.

quietly, I should tell you a lot ngineers want to talk about Don't get hung up on 4.33 or ratios. I should also point out u could have used RT9509. hould also make one other . I also said to the computer I want to cruise at 57 mph. will give me a little bump the 55. Remember, this is 80,000 pounds GCW.

ow, if you take a look at mum speed and look at the e speed in rpms, 42 mph es up with 1300. Cruising is 57 mph, and the rpm there 763. My fuel economy at 0 GCW, at 57 mph, is 5.83. I up to geared speed, which is at 1800. That's governor over-

w there's no such thing as a t 1800 rpm governor; they ave some overrun. This truck lly will run 1906 rpms at 61.6

ok at the fuel economy dif- nce for the 4 mph from 57 to One-half mile per gallon. A a mile to the gallon is 10 per- with a base of 5. That's 4 mph, vs. 5.32, 57 vs. 61.

this particular case, the best conomy is 43 mph at 1800 This gives you 6.32. But of your customers want to about running at 43 mph.

ope I have made the realistic t for 5.8 mph clearly. That's with a 13 ′6″ van, 80,000 GCW 7 mph.

a customer comes into one of dealerships now and is will- to accept 4.5 as the standard of thumb, you've got some in- sting numbers to show him. a good rational approach to him a truck.

fore we leave this whole area, e a couple of other numbers to you. There was an article in her magazine recently that d about some recent fuel They used two Caterpillar s.

e of these, the magazine said, *redlined at 1900 governor e the other one was governed perate a maximum of 1600 . The 1600 rpm engine de- ed 250 horsepower and was led with 3.55 rear and gears. he 1900 rpm produced 255 power and ran with a 4.11*

"When the testing was complete, the slower turning engine, the 1600 engine, turned out an average of 8.7 percent better fuel economy over the standard so-called fuel economy set-up at 1900. It got another 8 percent by going to 1600 rpms. It's 8 percent better than the 1900 engine.

"Caterpillar has made no moves to market the 1600 rpm engine yet, but inside sources have indicated the company is making extensive computer studies on low rpm diesels and that the results of this test were within 2 percent (of what) one of the studies predicted."

I have a couple of reasons for talking about that. First, don't think that 1800 is low. Caterpillar has had those engines on tests for a long time. Second, I don't want to leave you with the impression that Cummins is the only company marketing this kind of engine. You can buy this kind of engine from other companies. Thirdly, we all recognize this as a computer simulation, but this report says that the results will be within 2 percent of what Caterpillar's computer has predicted.

And there are other numbers you may be interested in. Mobil Oil has designed a dashboard sticker for distribution to all of their fleet vehicles. They give two numbers for each engine.

First, they tell the driver what the down shift number is. With some engines, you down shift at 1300. They want the engine driven between 1500 and 1800. With a 6V-92, 1300 again is the down shift number.

A Formula 290 Cummins is a standard fleet engine. They want the drivers to down shift at 1300 and drive the truck at no higher than 1800; staying between 1500 and 1800 most of the time produces good results.

I hope you have good luck, and I hope you see things in a slightly different light. And as you begin to make *today's* truck attractive, I hope fuel economy does begin to put your profits where you want them to be. Just remember. You can help your customer, that first year, save about $7,400, even after he pays you for the necessary extras. That kind of money just might make any standard sales pitch almost unnecessary. Æ

The 50,000 Mile Hang-Up

I have always taken the position there is a genuine reason for everything which takes place, so I accept our current heat wave . . . but not graciously. I kept deferring our vacation—we do nothing formal anyhow—but finally, I just took some time off. In fact, this is being written in that time, partly because I'd like to talk about high-mileage cars again.

A couple of weeks ago, I received a call from a dealer who said his used car manager was distressed with our mileage tables, and he observed how much our numbers varied with another book also in use in the area. The other book has some astronomical deductions on late model, high mileage cars. And the unhappy manager said the "true number" was somewhere between the NADA numbers and the other book's.

A few years ago, these very same cars were being sold after reconditioning . . . but . . . in those days it was not unheard of to set the clock to the mileage which best reflected the car's condition. We are in agreement, are we not, that mileage in itself is not so much the factor as the type of driving which led to the mileage. The manager stated the cars he had in mind were nice automobiles and in some cases it seemed no one had even sat in the back seat . . . salesmens' cars, western part of the country, long trips under optimum driving conditions. My correspondent said people have a thing about 50,000 miles and that the mark-down penalty should be severe from that point. He further suggested the industry had brought this on itself with the warranties which no longer apply after 50,000 miles. To that, let me say this: nothing prevents a dealer from offering a service contract or whatever on the power train of a car once it is no longer qualified for "commercial" coverage. In fact, many dealers do this.

I do not sell cars and I agree it is always easier to sit back and make suggestions than it is to get into the fray. But, there are times when those in the thick of battle miss the obvious . . . they are either too close to it or have been conditioned by "but we have always done it this way." I feel we have many people who refer to themselves as salespeople who are really order takers or cash register ringers. And, I do not limit this to the automobile industry . . . it permeates the entire retail industry. Let me say that I *like being sold*. . . . I don't like being sold something I neither want nor need, but I *need* and appreciate the effort of a good salesperson. About the only time I go into the retail market knowing exactly what I want is when I do a little grocery shopping. Just recently, I needed a spare tire for the old wagon we use to tow a boat. The car is used only for that purpose, and we tow at a modest rate so I wasn't looking for an expensive tire. Several local companies had "sales," so I called the one I trusted the most. I rarely buy tires, so I told the salesman what I needed. I ended up buying two new tires and putting one of the take-offs on the spare. As we talked he said only this: "How good are the tires on the front wheels?" I put down the phone and went out to the car . . . the front tires were not all that great. They had a price leader sale in progress so I bought two decent tires for a modest sum, have a reasonably good spare . . . and even a second spare should I need it. I feel

The Used Car column is prepared exclusively for **automotive executive** *by James H. "Harry" Lawrence, editor of the NADA Official Used Car Guide. All comments or questions pertaining to these columns should be mailed to: "Used Cars."* **automotive executive** *magazine, 8400 Westpark Dr., McLean, VA 22102.*

…er about it, he sold two big …which are no longer all that …lar, and we both are satisfied.

…tting back to 50,000 miles …the American hang-up. I know …y people who have cars with … over 50,000 miles on them, …they are not about to drive … to the junk yard or trade … in. The 50,000-mile syn…me is a myth more in *our* …s than in the consumer's. …will a man continue to drive …ar with 50,000 miles on it and …e another of the same vin… Well, for one thing, if *he* put …0,000 on the car, he knows …circumstances under which …iles accumulated.

… us consider the mechani…sound, clean high miler . . . a …, safe car which, in your …ion, has much service re…ing. Rather than take a sum … under the car's true value, …d it not be better to "warrant" …ower train? How much could …st if the worst happened? …n I see a penalty of $2,500 on a …ized car with 70,000 miles on … I have to do a double take. … can a guy trade a car with a …en like that? Think about this … minute: all blades cut two … The dealer who can effec…y merchandise high milers …njoy two benefits, and one of … is being much more com…ive in selling the *new car* … the high miler is offered in … The other benefit: a better … on the used car.

…me mechanical devices run …st continuously . . . espe…y electro-mechanical appli…s. You buy a refrigerator, put … the kitchen and forget it. It …and runs . . . and chances are …s made by American labor. …rican cars will function much …r than we give them credit …Perhaps we introduced and …red the 50,000 miles myth, …erhaps it is time to sell the …merican car and not the one …h exists in so many minds. …entally, the 1973 wagon we …t as a tow vehicle has 75,000 … on it . . . had 74,000 when we … on it. I expect to use it for sev…t it. I expect to use it for sev… …ears . . . and I expect to spend … money on it. After all, …ng is free. Æ

TAX BRAKES

Irving Blackman

PROFIT DOWNTURN CALLS FOR DEPRECIATION DOWNTURN

"Always select the fastest method of depreciation to save the most taxes." That statement is a myth. Certainly, a high tax bracket dictates the fastest possible depreciation write-off. The 200 percent declining balance method (DB) or the sum-of-the-years digits method (SYD) are the accepted champions for accomplishing accelerated depreciation write-offs. The DB will produce exactly twice the amount of write-offs as the straight line method (SL) the first year; the SYD gets you even more.

But what happens if profits are down or if losses are on the bottom line? Or worse yet, what if the good times look like two or more years down the road? Accelerated depreciation just doesn't make sense. Now, logic dictates saving those depreciation write-offs for higher tax-bracket years. The law does not allow you to defer depreciation deductions. However, selection of the most effective depreciation method will save the most dollars over the life of the asset to be depreciated.

To date, the 100 percent DB is the champion depreciation slowpoke. Just what you want when profits are down. The I.R.S. gave the green light to this method in 1979 (Letter Ruling 7922009). In March, 1980, the I.R.S. expanded the concept to allow any elected percentage between 100 and 200 percent (Letter Ruling 8010111). You can adopt "slowpoke" DB initially or change to it. The 100 percent DB gives the same depreciation result as SL in the first year and goes down a bit every year thereafter.

Someday, when profits are back on stream, you will want to change your depreciation method. This requires I.R.S. permission. However, a change from DB to SL is automatic (Section 167(e) of the Code). Permission may be granted to change from DB to SYD (Rev. Proc. 74-10).

We'll talk more about depreciation methods next month.

* * *

Qualified plan loans make sense, and dollars and cents too. How does this tax idea strike you? Pay interest to yourself; deduct the interest you pay; receive the same interest tax-free. Impossible? It can be done. How? In a nutshell, have a qualified plan (either profit sharing or pension) make a loan to its participant(s).

Tax-wise, this maneuver scores 10 on a scale of 10. But also consider that (1) employees who might quit will stay to get their plan funds and (2) executives, including the people at the top, have a delightful additional source of credit. The maneuver was recently okayed for even a qualified plan with a single participant (Letter Ruling 8008059).

Are there any hitches? Not really. The I.R.S. will approve a qualified plan that has a loan provision if the loans: (1) are available to all participants and beneficiaries on a reasonably equivalent basis, (2) are not made available to highly compensated employees, officers or shareholders in a percentage amount greater than to other employees, (3) are made in accordance with specific provisions regarding such loans set forth in the plan, (4) bear a reasonable rate of interest, and (5) are adequately secured.

The vested portion in the participant's account, (for a profit sharing or money purchase plan) can be used as security for the loan. In addition, the loans from such plans can exceed the vested amount in the participant's account without the plan risking disqualification as long as the loans are: (1) adequately secured (by other than the non-vested portion of the plan), (2) bear a reasonable rate of interest, and (3) are repaid within a specified period of

These columns are prepared by Blackman, Kallick & Co., certified public accountants, under the watchful eye of Irving Blackman. Blackman, also an attorney and author of Winning The Tax Game, consults with businessmen around the country on the subject of taxes and profitability. Questions concerning these columns should be addressed to Blackman, Kallick & Co., 180 N. LaSalle St., Chicago, IL 60601.

-e. Loan security for a defined efit pension plan can be ided up to an amount equal to actuarial equivalent, or present value, of the participant's accrued benefit.

aution is required when the is less than the employee's ed interest. There must be lence that a real debtor-litor relationship exists. erwise, the attempted loan l be labelled an "advance distution" by the I.R.S. Result: table income to the employee. is problem is easily avoided by arly setting out the loan terms ither the plan or the loan itself.

* * *

rest-free loans from your corporation. Most owners of closely l corporations have, at one or another, borrowed money m their own corporation. such loans are made by the oration to the shareholder/ r interest free. Does the holder realize income (equal he current cost of money) from h a loan? No, and the law is y well settled—so the Tax rt held in *Dean* in 1961 and in in *Greenspun* in 1973.

A recent case is a roadmap of at *not* to do and is a trap for the ary. The stockholders, C and ned all the stock of GP, Inc. C P borrowed an average of 0,000 interest-free from GP, during 1973 and 1974 to pay nal obligations. During these s, GP, Inc. owned about 000 in interest-bearing obligans to various creditors. These s were personally guaranteed C and P.

he court held that the realities he case made GP, Inc. the ts of C and P when it obtained s for the benefit of C and P. C P were held to have received dend income equal to the unt of interest paid on "their s." They were entitled to an etting interest deduction ah Creel, (1979) 72 TC No.

y advice: shareholders of a ely held business who have ranteed corporate debts should ge a fixed rate of interest when owing from their corporation. obligation to the corporation ld be evidenced by a note due date certain and should be paid on that date.

* * *

State law makes funny tax law. Most people don't know it, but state law often controls federal income tax results. The following two cases illustrate a bit of tax law along with a bit of current Americana.

A single North Carolina taxpayer (Joe) lived and supported a single woman (Mary). Joe met every requirement necessary to claim a dependency exemption for Mary. Well, almost—you see, unmarrieds living together in North Carolina are in violation of state law. And such a no-no, the court held, killed Joe's right to an exemption for Mary. Joe should move to Missouri because. . .

Missouri is more broad minded: cohabitation of unmarried persons of the opposite sex is not outlawed. In this case, a woman was allowed to claim a man, who lived with her and her children, as a dependency exemption.

If the shoe fits, better check out the local law. Æ

ON THE HILL

Tax credits and repeal of Truck Excise Tax pushed by NADA

Although recent actions taken by the Carter administration will be helpful to dealers, NADA believes further action is necessary to correct the basic problem of high inventories and depressed sales. To this end, NADA is continuing to press the Congress for the enactment of tax credits and the elimination of the truck excise tax.

Both moves, the Association thinks, could go a long way toward stimulating new car and truck sales.

On July 17, NADA President George Irvin sent a letter to each NADA dealer member urging immediate contact with his or her elected representatives in support of a *temporary* tax credit. In the letter, Mr. Irvin stated that a credit of 10 percent of the purchase price of a vehicle with a cap of between $600 and $1,000, would provide the financial incentive needed to stimulate new car and truck sales.

To date, several bills have been introduced in the House of Representatives which provide for a credit. Additionally, many members of Congress have indicated support for the basic concept. However, the time frame left for congressional action on this issue is extremely short. (As of this writing, less than seven legislative work weeks remain prior to the November elections.) This short time frame, plus opposition to a pre-election tax cut by the administration and some key congressional leaders, make the task of getting a tax bill this session of Congress all the more difficult.

On another front, NADA and ATD firmly believe the Association's long-held position for repeal of the Truck Excise Tax must also be strongly pushed at this time as a means for stimulating the sale of medium and heavy-duty trucks. (See this month's *Big Rigs* column, page 21.)

Congressman William M. Brodhead (D-Michigan) has introduced a bill, H.R. 1914, which would repeal the current 10 percent excise tax on trucks and trailers and the 8 percent tax on truck parts and accessories. Rep. Brodhead has also written Secretary of the Treasury William G. Miller, urging the administration to consider the removal of these taxes in any future tax reduction proposal.

NADA and ATD officials have recently initiated talks with other concerned groups regarding the repeal of the Truck Excise Tax. The response from this initial meeting was good, and plans are currently under way to further define the actions this group can take in an effort to promote the elimination of the FET.

As mentioned earlier, the time left for Congressional action on these two proposals is short. However, many members of Congress do feel that an immediate tax cut is necessary for our economy to rebound from the current recession, and they will be working for a pre-election tax bill. Dealers must therefore continue to contact their House and Senate members to urge their support for these two important dealer issues.

Even should the Congress fail to pass a tax bill this year, dealer efforts in this regard will not be wasted. NADA will continue to press for tax credits and repeal of the Truck Excise Tax, and when a tax bill is considered by subsequent Congresses, each dealer contact that has been made will be extremely beneficial. ÆE

...ne of a series of monthly columns dealing with legislative issues of concern to franchised new car and truck dealers. It is intended to provide a brief ...ry of those actions either already taken by the Congress or currently pending which will impact on your business.

AUCTION BLOCK

Auction Activity Strong

George Basel

At press time, the auction market was still moving along at a high level of activity. Members of the National Auto Auction Association have been reporting a continuing strong market, with sales hovering around the 70 percent mark.

This surprising strength has shown up in the standard and big cars even though a slowdown in consignments is appearing. What has brought this demand in the larger car category back so strongly? Only six months ago, car loans were unobtainable even at the high interest rates. Gasoline prices continued to rise. If there wasn't a shortage of gasoline, the driver avoided the higher prices; so short lines formed at the lowest-price gasoline stations. Within the past two months, things have really turned around. Interest rates have dropped and money is available and cheaper. Gasoline prices have stabilized and all prices are within a cent or two of each other, so there are no lines. Big car prices had fallen more than they should have and now offer good values for both the dealer and the retail customer. Finally, the good used car, price wise, is more attractive as the new cars in both the domestic and foreign fields continue to rise in price.

* * *

Auction owners across the country continue to report that more and more franchised dealers are using the auction now to keep themselves aware of the market trends forged by economic changes, and to maintain inventory as new car trade-ins vanish. There is no other way that a few hours one day a week can be used to better advantage. The dealer can stay abreast of the market and adjust his inventory at the same time.

* * *

Jim Wheatly, owner of Harrisonburg Auto Auction, Harrisonburg, Va., recently presented the check from the largest Ford Motor Co. factory executive car sale ever held to Jim Terry, Manager, Ford Used Vehicle Resale Activity, while Joe Harde, Ford sale coordinator, looked on. A total of 604 vehicles were sold on July 15 for $3,644,525. Jim said 159 dealerships from 19 different states were represented at the sale.

On the day preceding the sale, the auto auction sponsored its second Annual Golf and Tennis day, followed by a reception and banquet. All of the sale and attendance numbers are new records for the Ford resale program.

* * *

Melvin Reid of 166 Auto Auction, Springfield, Mo. announced the birth of a new baby named "Mobile Trim Unit #1."

The auction for several years has had a trim shop that installed vinyl tops, stripes, side moldings and windshields. Many dealers from the small towns that surround Springfield have used these shop services but had to drive the car to 166. Now Mel will provide this service at the dealer's lot.

The new baby is well equipped with side moldings, stripes and wheel covers. Upon request, it will be able to install vinyl tops and windshields at the dealer's place of business also.

Reid believes the venture will be a very profitable one, of course, but he also sees it as a good public relations tool for the auction.

* * *

A Collectors Car Show and Auction is scheduled to be held at the Greater Chicago Auto Auction, 12055 South Cicero Ave., Chicago, Ill. 60658 on September 27 and 28. Joe Lyng, Greater Chicago owner, is expecting 500 nostalgic motor cars for his second big sale of 1980. For further information, call Joe at 312-597-3600.

* * *

Auction Block is prepared exclusively for **automotive executive** *by George Basel of the NADA Official Used Car Guide. All comments or questions pertaining to these columns should be mailed to: George Basel,* **automotive executive** *magazine, 8400 Westpark Dr., McLean, VA 22102.*

AUCTION CLASSIFIEDS

Arizona

:OUTHWEST AUTO AUCTION, ,ease and fleet accounts welcome. Member NAAA AND NAFA. 3420 outh 48th Street, Phoenix. Tel. 02) 894-2211.

Connecticut

SOUTHERN
EST 1946
AUTO AUCTION
RT. 5, WAREHOUSE PT., CT
There's an Auction Every Wednesday at Southern
Larry Tribble & Bob August
203-623-2617

Michigan

APTCO AUTO AUCTION
20911 Gladwin, Taylor, Mich. 48180
Licensed car Dealers
NORTH
SALE EVERY TUESDAY 12 NOON
Factory Front Line Units. Lease and Rental Units. For Information, Hotel reservations, numbers
CALL AREA 313 285-7300

R STRONGEST COMPETITOR ATTENDS!
LINT AUTO AUCTION, INC.
WEDNESDAY 10:57 A.M.
4 LANES
11 WESTERN RD. FLINT, MICHIGAN 48506
PHONE (313) 736-2700

Texas

MARILLO AUTO AUCTION. ,ase & fleet specialists for 33 ars. Write or call Dale or Friday, 08 E. 10th Ave., Amarillo, TX 104. Tel. (806) 372-2206.

3ob Gentle, owner of Metro .to Auction of Kansas City, Mo., recently purchased four new ernational tractors and Delevan inger trailers as another added vice to his dealer body. They e the capability of hauling 8 l-size cars or 10 small-size cars.

* * *

)ver 140 Chevrolet dealers and ir used car managers attended "Chevrolet Dealers Day" recently at Bay Cities Auto Auction in San Jose, Calif.

The dealers were served breakfast and heard William Goebbel, Merchandising Manager for Chevrolet in Northern California, talk on "Used Car Merchandising". *Arnie Addison,* President of Bay Cities Auto Auction, gave a tour of his modern 20-acre facility and explained how the auction operates and how he could help the dealer make a profit. The theme of the day was "Hot Dogs, Apple Pie and Chevrolet".

Arnie also said his 11th Annual Corn Roast Party Sale, held July 30, drew over 1800 vehicles, and dealers from the seven western states. Over two tons of roasted corn were served, plus lots of prizes for the lucky winners.

* * *

You automobile dealers in the deep South, don't over-look Atlanta Auto Auction's 10th Anniversary. Jack Charlesworth, general manager, has requested everybody for lunch on *September 18.* In addition to offering over 1600 cars that day, Jack's holding a big drawing and the winner will be able to attend the Falcons vs. Saints football game in New Orleans.

* * *

Use Your Auction
Turnover at the used car lot
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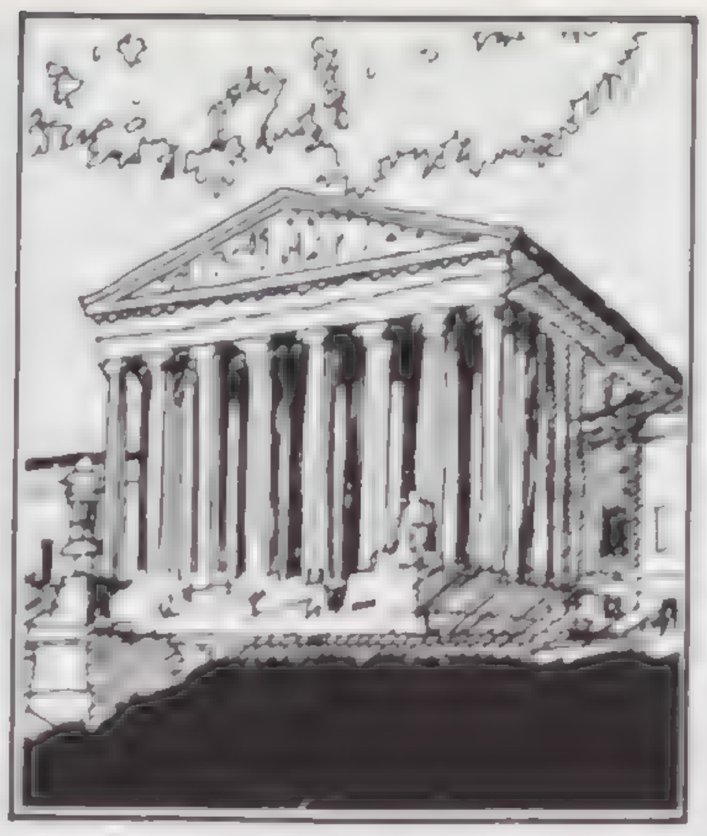
LEGAL  BRIEFS

The Auto Industry And The Law

Questions and Answers on the Small Business Administration Automobile Dealers Loan Guaranty Program

In the past several months, NADA has vigorously sought financial assistance from the federal government for franchised new car and truck dealers.

Through the joint efforts of NADA the U.S. Small Business Administration (SBA), the Automobile Dealers Loan Guaranty Program has been established to provide many franchised new car and truck dealers with much needed financing.

The following material represents the answers to the most frequently asked questions about the SBA program for dealers. Additional questions may be addressed to the NADA Legal Group.

Q: How does a dealer become eligible for an SBA Loan?

A: To be eligible for an SBA guaranteed loan, a dealer must be in financial need and must be a "small business" as that term is defined by SBA.

Q: How is "small business" defined by SBA?

A: As defined by SBA, a dealer is a "small business" if annual sales are less than $6.5 million or if unit volume is 950 *new retail* units or less, measured over the most recently completed fiscal year or the most recently completed 12-month period. In addition, if an applicant is either in an area of substantial unemployment, underemployment or redevelopment or is designated as a "Certified Eligible" concern by the U.S. Department of Labor or intends to use the funds in such an area, the size standard may be increased by 25 percent to approximately $8.125 million in annual sales or 1,187 new retail units.

Q: What special assistance is available to minority-owned dealerships?

A: Direct SBA funds of $12 million are available to minority dealers at 8.25 percent interest. A minority dealer is defined by SBA to include Black Americans, Native Americans and Hispanic Americans. Women are *not* included in this definition.

Q: What are the maximum interest rates that are going to be permitted on the SBA loans?

A: The interest rates under the SBA program will be at market rate, within SBA guidelines. On a less than 7-year term loan, the interest rate may not exceed 2.25 percent above the New York prime. On a loan of 7 or more years, the interest rate may not exceed 2.75 percent above the New York prime.

Q: Can you explain the SBA eligibility requirement that a dealer must be *unable* to secure conventional financing on the same terms in order to qualify for an SBA-backed loan?

A: In the usual case of a dealer seeking an SBA-backed loan, it is sufficient for purposes of making an SBA loan application if the *bank* indicates on its form to SBA that the loan would not have been offered to the dealer without the SBA guarantee and that, in the opinion of the bank, the assistance applied for is not otherwise available on reasonable terms.

This column is prepared by the Legal Group of the National Automobile Dealers Association. For further information or questions concerning the items appearing in this column, write: Legal Briefs, NADA Legal Group, 8400 Westpark Dr., McLean, VA 22102.

Q: Why can't a dealer use SBA loan funds for floorplanning?

A: This program is not designed to help with floorplan financing. However, the proceeds of a guaranteed loan may be used for working capital, to refinance existing debt, and to effect changes in ownership if the dealership is thereby promoted or preserved.

Q: What exactly is the SBA "guarantee" and how long is the repayment period?

A: The SBA guarantee may not exceed $500,000 or 90 percent of the total loan, whichever is less. The maximum repayment period is ten years, although a longer period is allowed in the case of land acquisition.

Q: If a dealer already has an outstanding loan with a bank, can the loan be renegotiated and added to a new SBA-backed loan?

A: It is possible to renegotiate the old loan. In this case, SBA would guarantee either a portion of the total of both loans or 90 percent of the new loan, up to $500,000. A dealer should be careful about renegotiating an old loan so that a very low interest rate is not lost.

Q: Where can a dealer obtain an application form for an SBA loan?

A: Loan applications are available from SBA Regional, District or Branch offices or from participating banks.

Q: My bank wants me to provide it with a second mortgage on my house as collateral for this loan. Can they require that?

A: Banks are free to determine what is adequate collateral to secure the loan and this may vary between lending institutions. A mortgage on the dealer's home may be necessary before a loan is approved.

Q: I'm a relatively new dealer. In order to open my dealership, I entered into an arrangement with my manufacturer, in which the manufacturer has a controlling interest. Is my dealership eligible?

A: No. The dealership cannot be considered a small business.

Q: If you own more than one dealership and each dealership is under the size standard, can you still qualify?

A: Only if the total of *all* affiliated dealerships is under $6.5 million in annual sales or 950 new retail units. For SBA purposes, the dealerships would be viewed in the aggregate.

..estion
..ervice contracts

A Reader From Indiana Asks: I'm a small dealer, and am considering selling my own auto service contracts to help boost my cash flow situation. Several outside companies have approached me about selling their contracts. Which system is best—my own or someone else's? Are there any special legal problems I should know about?

Great care must be exercised by dealers to avoid unanticipated liabilities in connection with offering service contracts. This is because both state and federal laws impact on this subject.

A service contract is defined by the federal Magnuson-Moss Warranty Act as a "contract in writing to perform, over a fixed period of time or for a specified duration, services relating to the maintenance or repair (or both) of a consumer product." If the consumer is paying a fixed sum over and above the purchase price of a vehicle for a service or for preventive maintenance, then a service contract is involved.

Under federal law, implied warranties may not be disclaimed by the supplier *of a service contract at the time of the sale of a vehicle or within 90 days of that sale. Sometimes a dealer is the supplier of the service contract and sometimes a third party is the supplier. A careful reading of the contract should reveal who the supplier is. Usually, when a third party offers a service contract, the dealer is not liable under it for anything but repairs, and the dealer is later reimbursed for the repairs. Thus, when a third party is the supplier of the service contract, the dealer avoids implied warranty liability.*

Most of the large service contract companies are insured to help minimize the risks on dealers and to prove to dealers the companies' ability to pay off claims. Some states have taken the position that dealers who sell their own service contracts are illegally engaging in the business of insurance without proper licensing and funding. This is an area to watch carefully. It is a good idea to ask for the views of your secretary of state insurance on this matter. Æ

advertisers index

ADVERTISER PAGE

Showcase

WHAT'S NEW ON THE MARKET

Chalfont Industries (maker of Stop-A-Flat) introduces **Canarbo Jell**. No skilled labor is required to apply Canarbo Jell and this very simple, one-step application process will be completed in under 40 minutes. Canarbo Jell forms a permanent diamond-like coating over any car's shine that immediately protects the beautiful finish of the car from the corrosive and damaging effect of road salt, blazing sunlight, strong rain, freezing snow and sleet and most of the other natural and man-made hazards to which a car is subject. Highly profitable and completely warranted for three full years. Manufacturer: Chalfont Industries, 608 Masons Mills Rd., Huntingdon Valley, PA 19006.

This **Air Ratchet** features higher speeds of 210 RPM and greater torque to 55 foot pounds. It also has a fully rotable ratchet head for more versatile operations. An additional feature is a rotating exhaust deflector for greater operator comfort. The Air Ratchet has a special grease fitting in the head to lubricate critical wearing points to extend the ratchet head life. Manufacturer: Mac Tools, Inc., P.O. Box 38124, 4380 Old Roberts Rd., Columbus, OH 43228.

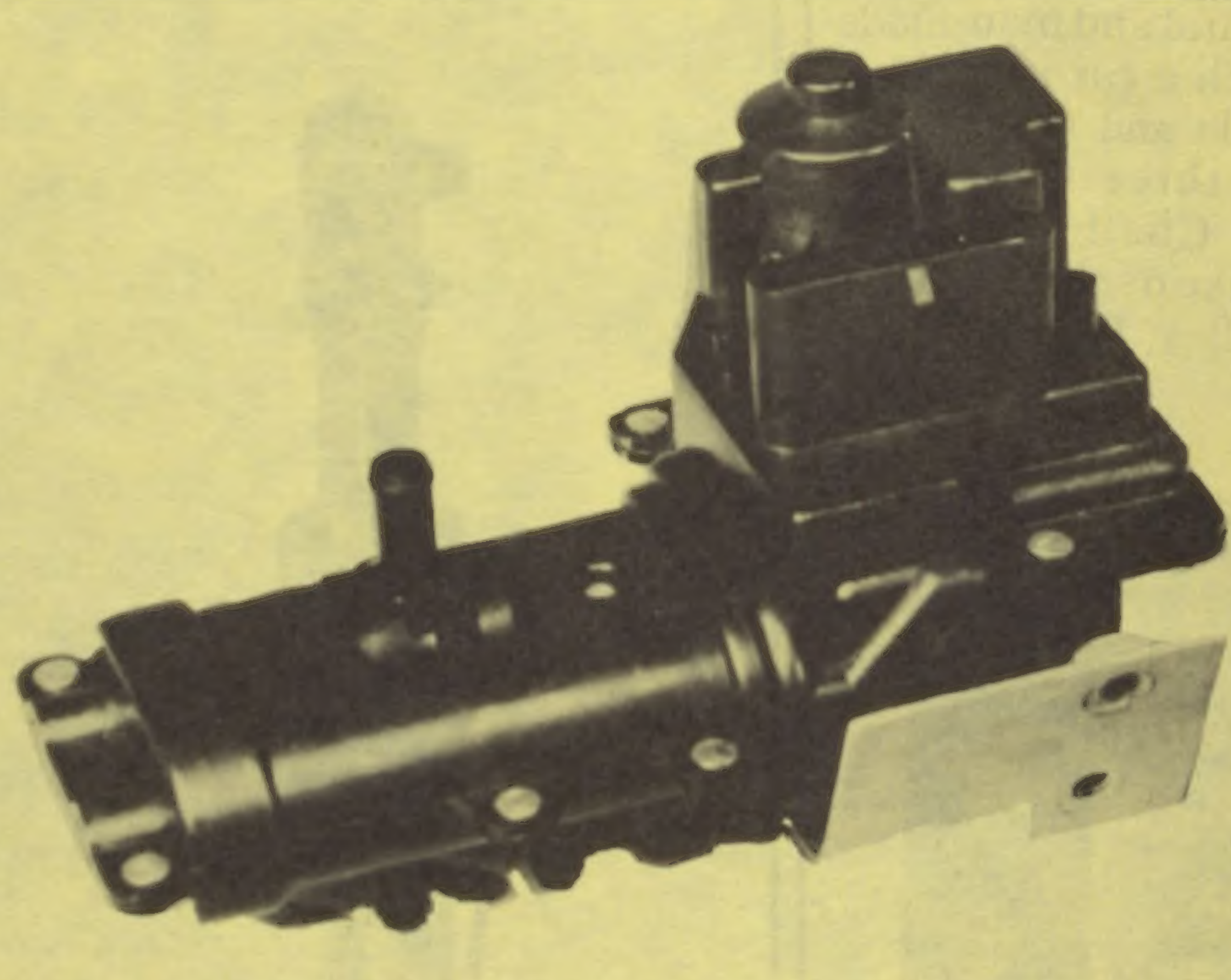
Goodall Manufacturing Corp. introduces the **mini-gasser**. It is a portable, efficient, 12 volt fuel transfer pump. It utilizes a self-priming pump with a 72 gallon/hour capacity. It has a 20 foot, 12 volt power cord and a remote on-off safety switch. The mini-gasser is for use by the professional and all consumers who use fuel. Manufacturer: Goodall Manufacturing Corp., 7558 Washington Ave. S., Eden Prairie, MN 55344.

C. A. Laboratories, Inc. introduces the **CA-4100 7 Way Brush Cleaner.** This product is designed to solve the problem truck operators have with corrosion of electrical contacts on electrical connectors. Because of the construction of the plugs, it is difficult to clean them by using conventional methods. The CA-4100 7 Way Brush Cleaner uses 7 brushes mounted in an unbreakable ABS plastic body. By sliding the brushers back and forth in a corroded electrical plug, the brushes clean all contacts at the same time. Manufacturer: C. A. Laboratories, Inc.

Information and photographs of products listed in Showcase *have been provided via manufacturer's press releases. A product's appearance in this column in no way implies endorsement by either NADA, the National Automobile Dealers Service Corp., or* **automotive executive** *magazine.*

The **Universal SideSkirtz** was conceived to reduce drag and increase roadholding. SideSkirtz can easily be fitted to any car to give dramatic competition looks. The two part design allows the lower sections to flex when encountering road hazards, curbs, etc., without damage. The top sections are made up of high impact, rigid ABS plastic, while the bottoms are made of flexible PVC. They can be pinstriped or painted for a custom look, or use them in the standard matte black finish. The kit comes with full instructions and everything needed for installation. Universal SideSkirtz will fit all domestic cars and more than 120 different imports. Manufacturer: Richard Grant Motor Accessories Ltd. of England, and available in the U.S. through Tranz Acc, Inc., 21807 Plummer, Chatsworth, CA 91311.

Ex-Cell-O Corp. has developed a new motor-actuated **fuel transfer valve.** It will be used on a line of 1981 light trucks with dual fuel tanks. The valve enables the driver to select the main fuel tank or auxiliary tank at the flick of a switch. When the switch is thrown to change tanks, the motor actuates, closing the ports to the empty tank and opening those to the full one. The fuel transfer valves are the first of a new line of motor-actuated devices being developed for the automotive market by Ex-Cell-O Corp. Manufacturer: McCord Winn Div., Ex-Cell-O Corp., 2850 W. Grand Blvd., Detroit, MI 48202.



Valley Industries introduces the **4 × 4 line** of van, pick-up and four wheel drive accessories. 4 × 4 products are designed to be decorative as well as functional. The steel designer grille guards, tubular bumpers, tire carriers, tow hooks, and spotting hitches are all available in either a chrome or a gloss black finish that blends with the vehicle. The tough 4 × 4 running rails are easy to install and protect the vehicle from stones, oil and other surface damage. There is also an assortment of jacks for travel trailers, mobile home, and campers. Manufacturer: Valley Industries, 1313 S. Stockton St., Lodi, CA 95240.

SAF-T-LYTE™ is a protective emergency highway flasher that warns traffic in both directions to approach with caution. Safer than typical flares, SAF-T-LYTE™ has a simple pushbutton on/off switch, and can operate continuously for up to 48 hours. Manufacturer: SAF-T-LYTE™, 152 Reservoir St., Needham, MA 02194.

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VINYL FINISH
VINYL STRIPPER

Introducing 8 new ways to boost your showroom traffic and brighten your profit picture from Polyglycoat!

Beautifully packaged, these new products from Polyglycoat's space-age technology are real car lovers, because they're everything the consumer needs to clean, shine and protect their used vehicles and make them look showroom new again.

Unlike Polyglycoat's warranteed protective products, which are applied *only* at new car dealers, these eight products are for *consumer* application.

Guaranteed to be exciting traffic builders for your dealership—you'll have the first opportunity to sell them through your service and parts departments.

A brand new advertising campaign will back up your efforts, and take the message right to the consumer. Newspaper and magazine ads and TV commercials will deliver the customers right to you!

From Polyglycoat's very beginning, new car dealers have been the backbone of our extraordinary growth. That's why we've supported you all the way ... because your success is our success.

We're doing everything we can to sharpen your Competitive Edge and brighten your profit picture ... because we love our dealers like we love cars.

Send in the coupon for more information, or call toll-free (800) 431-1936: in N.Y. (914) 332-1100.

TO: POLYGLYCOAT, PROTECTIVE COATINGS, INC.
25 North Broadway, Tarrytown, N.Y. 10591

YES, I am interested in all of Polyglycoat's new ideas fo
dealership. Please contact me right away.

Name ________
Dealership Name ________
Address ________
City ________ State ________ Zip ________
Telephone ________

POLYGLYCOAT®